# FINANCIAL TIMES



Ford v GM: the



Malaysia

The rise and rise of Rashid Hussain

FRIDAY DECEMBER 6 1996

Surveys

Turkish Finance Czech Republic

Separate sections



Weekend **F**T

The price of truth and justice

# **Hughes division** as merger fails

General Motors is to sell the defence and aerospace division of its subsidiary Hughes Electronics after the failure of merger talks between Hughes and its aerospace competitor Raytheon. US defence contractors Northrop Grumman and McDonnell Douglas, which are looking for defence electronics businesses, are potential bidders for the division, which is likely to fetch between \$8hn and \$10hn. Page 15; Lex,



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CHANGE LAND

Marie Company

Mr. Sec. of Photo the term with a

Burmese pro-democracy leader Aung San Suu Kyi (left) was released from confine ment at her Rangoon bome after complaining she had been held illegally. She joined about 200 supporters in a ceremony marking Bur-

ma's National Day and

urged the Association

of South East Asian Nations not to grant Burma full membership as long as the military State Law and Order Restoration Council was in power.

German jobless at fresh record: Germany's unemployment level reached another postwar record in November after a larger-than-expected monthly increase highlighted the fitful character of the country's economic recovery, Page 2; Editorial Comment,

Drugs industry loses imports fight: The pharmaceutical industry lost its European Court battle to stop cheap unpatented drugs from Spain and Portugal entering other European Union countries. Page 3

News Corp in Japanese music venture: Rupert Murdoch's News Corporation is to join forces with Japanese record producer Tetsuya Komuro to form a music and multimedia company. The move will give News Corp a stake in one of the music market's fastest growing areas.

Profits warning hits Reed Elsevier: A warning from Reed Elsevier that the strength of sterling was hurting profits contributed to a 5 per cent fall in the shares of the Anglo-Dutch publishing and information group. Page 15

Companies ignore Emu costs: Most European companies have not yet estimated the one in 12 has budgeted for it. Page 2 Italian inflation lowest since 1969:

Italy's inflation fell to an annualised 26 per cent, a level not touched since 1969, official figures show. Page 2 Hague to cut KLM stake: The Dutch

government is to cut its stake in KLM to 25 per cent from 38.2 per cent by selling a parcel of shares back to the airline in a deal worth up to Fl1bn (\$638m), Page 15; Lex. Page 14 Farmers fail to move Greek PM: Greek

prime minister Costas Simitis told protesting farmers the government would make no conces sions on debts or taxes. Protests spread to southern Greece and could disrupt supplies to the Athens area. Page 3

De Benedetti sells Cofir stake: Cerus, the French group owned by Italian financier Carlo De Benedetti, sold its 48 per cent stake in Cofir for Pta16.2bn (\$124m), paving the way for the Madrid-based holding company to restructure itself as a hotels and wines group. Page 15

British Gas changes contracts: British Gas took the first step to end its bitter row with North Sea gas producers over the future of . "take-or-pay" gas contracts by renegotieting greements with British Petroleum, one of its

largest suppliers. Page 14 and Lex Barings bonus claim falls: Mary Walz. former head of equity derivatives trading at Bar-ings, the collapsed UK merchant banking group, lost her claim to be paid a £500,000 (\$820,000) bonus she alleged was promised to her. Page 8

John Vassali dies: John Vassall, who spied for Russia's KGB for seven years, has died in London, aged 71, it was revealed yesterday. Vassall, who was jailed in 1962, changed his name to John Phillips on his release 10 years later.

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M STOCK MARKET INDICES | M GOLD

New York Inschibes Dow Joses Ind Av6,417.72 (-5.22) NASDAG Composite1,299.46 (+2.44)	New Yark: Cornex Feb\$373.0 (372.5)
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# GM seeks sale of S Korea warns of threat to relations after Thomson sale suspension Paris plea to foreign investors

By David Owen and Andrew Jack in Paris and John Burton in Secul

Mr Jean Arthuis, the French finance minister, has made e strong appeal to foreign investors not to shun France following the government's surprise decision to suspend the sale of

the Thomson electronics giant. "We must not leave the slightest shadow of a doubt. France needs foreign investors," he said in an interview with the Financial Times.

Mr Arthuis was speaking after an independent commission told the government this week it could not approve some aspects of the planned transfer of the Thomson Multimedia consumer electronics

government's preferred bidder for the Thomson group, to Daewoo Electronics of South

His appeal came as the Sonth Korean government warned of a possible deterioration in relations with France following the suspension of the

As the Korean domestic media accused the French of racism in blocking the deal, Seoul said it would determine wbether the French decision amounted to discrimination against South Korea. The Korean government will seek clarification about the French decision through its embassy

"The candidates did not lack

business by Lagardère, the quality or bonour. Daewoo's honour was not in question. The candidates in no way failed in their obligations," Mr

Arthuis said. The privatisation commission's reservations concerned "the enforceability of the detailed arrangements between Lagardère and Daewoo. The procedure was not

criticised." in a separate radio interview, Mr Arthuis said be hoped the privetisation could be completed "before the spring". He boped the group could be sold in one piece, we must examine all the hypotheses . . . We must not exclude anything". However, be indicated some form of pri-

suspension bas prompted suggestions that the government might try to sell the money-draining Multime-dia and the Thomson-CSF defence division separately, or it could opt to dispose of the

antire group more gradually.

Mr Serge Tchuruk, chairman of Alcatel Alsthom, the telecoms and engineering group that lost out to Lagardère in the original bidding, bas argued that the sale of Thomson "by successive fractions of its capital" could be more profltable for the French state than trying to sell the whole

group in one step.

The privatisation commisslon based its decision, explained in a seven-page statement, on concerns that

investment and job creation were unenforceable, and that a complete divestment of Multi-media would remove any prospect of the state getting a return on its investment in the group's technological exper-

Daewoo said it was still committed to acquiring Thomson Multimedle and celled the decision to suspend the sale "very regrettable".

 The European Commission said last night thet it bad received a letter from Philips, the Dutch consumer electronica group, complaining about French government proposals to give an FFr11bn (\$2.1bn) capital injection to Thomson

to reduce its FFr25bn debt.

### **Newmont** in \$2bn bid for gold rival Santa Fe

By Kenneth Gooding, Mining Correspondent

Newmont Mining, already the biggest gold producer in the US, yesterday surprised the mining industry by making an unsolicited bid for Santa Fe Pacific Gold which Newmont said was worth \$2bn.

Newmont said the combined group would be the largest and potentially the most efficient gold producer in North Amerlca, with reserves of more than 47m troy ounces. The merged group would produce 3.5m ounces of gold next year and 3.75m in 1998 at cash costs of

less than \$215 an ounce. Analysts pointed out this output would put the Newmont-Santa Fe combination neck and neck with Barrick Gold of Canada, at present the biggest North American gold company. Barrick is widely forecast to produce 3.4m ounces in 1997.

The Newmont bld comes et a time of bectic takeover ectivity in the mining industry. Plecer Dome, one of its big North American rivals, has launched bids both for Highlands Gold, which has operations in Papua New Guinea, and for the rest of Placer Pacific, Its Australian

Barrick Gold recently acquired Arequipa, which has a gold project in Peru, and at present is in discussions about taking a substantial interest in the Busang gold deposit owned by Bre-X, s small Canadian company. Newmont said it had been in

talks with Santa Fe "from time to time" but refused to elabo-

Santa Fe, the sixth-largest North American gold group in production terms, acknowledged it had received the Newmont bid but said: "There is no further comment at the present time."

Newmont, after 30 years of producing gold only on the Carlin Trend in Nevada, has expanded its horizons, is rapidly growing worldwide and bas bed spectacular success

> Continued on Page 14 Commodities, Page 26

# Irish pave way for smooth summit

By Lionel Barber in Brussels

The European Union's Irish presidency yesterday laid the groundwork for a trouble-free summit in Dublin next week with a modest outline for revision of the Maastricht treaty. The draft text skirts sensi-

tive issues such as the balance of power between small and larger countries, and avoids singling out Britain as the chief obstacle to an agreement by the self-imposed deadline of June 1997 in Amsterdam.

However, Mr Jacques San-Commission, warned that "the bour of truth" was approaching for member states in the EU's intergovernmental conference (IGC), especially if they intended to reform the EU's decision-making to cope with the planned expansion to central and eastern Europe.

He said all 15 member states had to decide whether to support the Union as a political project going back to the 1957 Treaty of Rome, or as a vast free-trade zone.

Mr Santer was speaking in Brussels as the Irish presidency unveiled a 140-page draft treaty text that features proposals for an EU-wide area guaranteeing free movement of EU citizens among member states, rather than the present hotchpotch of border controls. The new area of "freedom, ecurity and justice" would be buttressed by closer co-operation on visas, asylum and

action against illegal immigration, drug traffickers, organised crime and terrorism.

The programme is strongly supported by Germany, which has an open border to the east, as well as smaller countries such as Ireland, which believe it will strike a popular chord.

But after protests from sovereignty-conscious countries, notably Britain, the Irisb agreed to soften the original commitment to achieve full free movement of people by January 1, 2001.

The Irish text also glides ter, president of the European over contentious items such as extension of majority voting, altbough Britain's blanket opposition means it is isolated on this issue. Mr John Bruton, Ireland's

prime minister, said next week's summit in Dublin had to deliver a "strong message that the EU was advancing in all key areas. He said there would be agreement in Dublin on the legal framework for the single currency as well as on a new exchange rate mechanism to link the currency to non-

Sir Stephen Wall, UK ambassador to the EU, warned yesterdsy that Britain would block the conclusion of the IGC unless it achieved satisfaction over two issues: quotahopping by Spanish fishermen and revision of health and

> Irish allow for EU borsetrading, Page 2



Mrs Madeleine Albright (above), US ambassador to the UN, has been nominated by President Bill Clinton to be the country's first woman secretary of state. He has also chosen Mr William Cohen, the outgoing Republican senator from Maine, as secretary of Report, Page 14

# Chinese in Sweden lose money in forex scheme

By Clay Harris and Norma Cohen in London and Dayrell Roberts Tien in Stockholm

Ethnic Chinese private investors in Sweden have lost millions of kronor through Fairbank, a currency trading operation run by a man whose previous foreign exchange company is being probed by Britain's Serious Fraud Office.

Fairbank is the latest example of high-risk currency trading schemes which have cost investors across Europe millions of dollars and confounded efforts by national regulators to bring their activities under control. Run by Mr Dannis Cheung, a

38-year-old UK citizen, Fairbank operates openly in Stockholm, Gothenburg and Malmo even though it is not authorised to trade foreign exchange in Sweden. Mr Cheung's former company, Pagoda, is from the same office in Lonunder investigation in the UK don's Soho district formerly over the alleged misuse of used by Pagoda.

ingraptional News.... Asia-Pacific News ....

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\$7.5m in investors' funds. Most of its customers were also eth-

Mr Gent Jansson, a lawyer at the Riksbank, Sweden's central bank, said: "It is a criminal act to provide currency trading services without per-mission. The Riksbank had no power of investigation to determine whether authorisation was required, he said.

Trader played China card Page 10

The Rikshank had contacted the police bnt learned they were already gathering information about Fairbank. The opening of an official investigation ewaits e decision by a prosecutor in Sweden's Serious

Economic Crimes Squad. Fairbank bas close links with Currency Exchange Services (CES), which operates

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Managed Funds ..... 27-29

According to former employ-ees, Fairbank places its trades by a "botline" to London. Mr Kenneth Yeung, a CES director, said his company provided "indicated prices" to Fairbank, being paid \$5 per transaction. It also acted as agent for Fair-bank and kept its records. Mr Yeung said it was e

"matter of coincidence rather than anything else" that CES occupied Pagoda's old premises. Swedish company records list Mr Yeung as the "alternate director" of Currency Exchange Stockholm, the official name of Fairbank. CES has applied to the UK's

Securities and Futures Authority for authorisation to arrange "rolling spot" foreign exchange trades. These involve rolled-over forward contracts of seven days or less.

Few of Fairbank's investors have come forward to complain. A significant portion of the money invested was probably undeclared income.

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# EU acts on minimum energy tax rates

By Leyla Boulton, Environment Corresponden

Proposals to extend minimum tax rates to all forms of energy in the European Union are being pre pared in Brussels as a substitute for the European Commission's ill-fated carbon tax.

A draft directive, which is likely to be submitted to EU governments by the Commission early next year. would for the first time set minimum tax rates for coal, natural gas and elec-

It also recommends that the EU agree in principle to a tax on aviation fuel, pending amendments to the international agreements which at present prohibit such tax-

The Commission is expected to propose the new minimum rates together with a rise in existing EU thresholds for petrol, diesel, heating fuel and heavy fuel

The new minimum rate per toune of petrol for and other greenhouse gas Instance, would rise from

Taxes on energy products in the EU: new minimum rates

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UK.	400 472	367 414	257 414	28	22	<b>以</b>				

Ecu337 to Ecu450, representing an 17 per cent increase

in real terms. The aim of the plan drafted by the indirect taxation directorate is twofold: further to harmonise taxes as EU energy markets are liheralised and to combat environmental threats from the consumption of fossil fuels. Chief of these is global warming, caused by carbon

Though the new minima would be modest, they would set a framework making it easier for governments to ratchet up energy taxes over

time The plan is likely to arouse fierce controversy as taxation is one of the most jealously guarded preserves of national govern-

But officials said that setting minimum rates across the board would enable indi-

resistance in principle of the vidual atates to introduce national carbon taxes -intended to combat global warming - without forcing them on other states which were less keen on the

If the proposal is approved hy EU ministers, the Comother energy-intensive industries to warn the Commission is likely to withdraw its vexed proposal for a unified EU carbon tax. The carbon tax substitutes to the Commission's attempt to detriment of their internaintroduce a harmonised EU tional competitiveness. However, in an attempt to carbon tax foundered on the

UK, while other countries have worried about its impact on their international

Cefic, the European chemical industry association, recently joined forces with

mission officials have also incorporated a series of concessions to industry in the

draft directive. These include exemptions for businesses that are energy-intensive, or adopt energy conservation measures, or generate alectricity from renewable sources.

A report accompanying the draft directive argues that the main victim of the proposals would be energy imports from outside the EU, but that the bloc's international competitiveness would be "practically

This is because governments would be able to offset the tax increases with cuts in payroll taxes, thus keeping costs unchanged for husiness, and even promoting employment. Or they could use the extra revenues to reduce hudget deficits, contributing to a lowering of interest rates that would mission against pursuing also benefit their economies.

Inflationary impacts within the EU would also be mitigated by increased energy saving hy consumers.

**EUROPEAN NEWS DIGEST** 

# Aid warning for Bosnia

International donors yesterday warned Bosnia's leaders. that economic and security assistance hinged on their stricter compliance with security, human rights and other provisions of the Dayton peace accords.

More than 50 governments and institutions at a peace implementation conference in London said Bosnia's mutually suspicious, ethnically based authorities should assume the main responsibility for improving their citizens' security and civil rights. However, the conference made few institutional changes other than a limited strengthening of the investigative powers of the 1,700 strong international police taskforce.

The conference was overshadowed by continuing anti-government demonstrations in Belgrade. But attempts by the US and others to add to the final document a toughly worded statement criticising the annulment of elections and closure of independent media. by President Slobodan Milosevic of Serbia were opposed

Mr Milosevic yesterday allowed Belgrade's leading independent radio station, B92, back on air and orchestrated a request by the electoral commission for judicial review of a court decision which deprived the opposition of seats won in local elections last month. It was the annulment of those opposition victories which sparked more than two weeks of street

### Bundesbank eases repo rules

Laura Silber and Anthony Robinson, London

The Bundesbank yesterday sought to enhance Germany's attraction as a financial centre by dropping, from January, minimum reserve requirements on securities repurchase (repo) deals. These are agreements by banks to sell and then repurchase government bonds. The move, which was expected, followed complaints hy banks that a large volume of such dealings in German securities had shifted to London because of the reserve rules.

The central bank's action was welcomed by Mr Theo Waigel, the finance minister, who said it brought German reserve instruments into line with competitive conditions in international capital markets. The German banking association said the decision would strengthen Germany's position as a financial centre. Repo business would gain significance after European monetary union, when dealings would be in a single currency. The Bundesbank's move would also reduce banks' refinancing costs.

The Bundesbank said, however, it was still committed to minimum reserves as an instrument of monetary Andrew Fisher, Frankfurt

### **Business unprepared for Emu**

Most European companies have not yet estimated the costs of adapting to a single currency, and only one in 12 has allocated a budget to pay for the necessary changes, according to a survey of 301 finance directors carried out by KPMG Management Consulting. This is despite the fact that the vast majority of senior executives expect their countries to sign up to Emu.

Minimising the costs involved was much more important to them than identifying and exploiting business opportunities, said Ms Vicky Pryce, KPMG's chief economist. Companies were "passive players" and were failing to recognise, for example, the implications that Emu would have for their marketing strategies. UK companies are the least well prepared. Only one in

five has plans in place to cope with the change, compared to more than half in Germany. Financial sector companies - which expect relatively big implementation costs for Emu - are better prepared than manufacturers or the rest of the service sector. Robert Chote, London

### lstanbul police chief sacked

The Turkish government yesterday sacked istanbul's police chief and five other security service members while investigators began probing media and opposition claims that they were involved in drugs trade killings. Mrs Meral Aksener, interior minister, suspended Mr Kemal Yazicloğlu, his deputy and the head of the special operations department - an elite police unit - and three of its officers.

Mr Mesut Yilmaz, leader of the opposition Motherland party, accused them of involvement in the murder in July of Mr Omer Littfu Topal, owner of a casino chain and reputed heroin kingpin. Media reports say Mr Topal was killed in a dispute with rivals over dividing gambling and

smuggling profits. Last month, a car carrying a government politician, a policeman and a wanted gangster crashed last month killing all except the MP, Mr Sedat Bucak from the True Path party, junior coalition partner in the Islamist-led government. The affair strengthened widespread suspicions of government corruption and close ties between police, politicians and organised crime. Mr Mehmet Ağar, a former senior police chief, had to quit as interior minister after media reports linked him to the

### Aérospatiale sues over missile

French state-owned Aérospatiale revealed vesterday it was suing part of the Lagardère group for allegedly failing to respect their joint development agreement on the Apache family of missiles when Lagardère teamed with British Aerospace to win a £650m (\$1bn) UK contract for

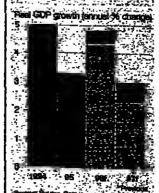
Storm Shadow, an Apache derivative, early this year. The complaint, filed in Paris in September, focuses on the alleged failure of Matra-Défense, a Lagardère subsidiary, either to respect the Aérospatiale's intellectual property in the Storm Shadow project or to giva it any subcontracting work from the UK programme.

The row is another instance of what appears to be growing ill-will between French defence contractors, all ockeying for position for the restructuring of the arms industry, when it finally comes.

ECONOMIC WATCH

### Growth forecasts raised

The case is expected to be heard next month.



statistics yesterday raised its forecasts for economic growth, emphasising the strong upswing the oil-fuelled nation is already enjoying. It said it expected gross domestic product to grow by 4.8 per cent this year, against its earlier 4.3 per cent, and by 3 per cent in 1997 against previous expectations of 2.3 per cent. The bureau said GDP excluding oil and gas and shipping had grown 2.8 per cent in the year to the third quarter, and it now expected 2.7 per cent in

Norway's hureau of

1997 rather than 2.4 per cent. These forecasts remained below those of the finance ministry, however, which is expecting 5.4 per cent this year and 3.1 per cent next. The government's chief concern is overheating, prompting it to tighten its fiscal stance to balance a big increase in private consumption. The statistics bureau forecast inflation at 2.8 per cent in 1997, slightly below the ministry's 2.5 per cent. Hugh Carnegy, Stockhol

### German iobless at fresh post-war record

By Ralph Atkins in Bonn

Germany's unemployment level reached another postwar record in November after a larger-than-expected monthly increase high-lighted the fitful character of the country's economic

Seasonally adjusted unemployment rosa 50,000 to 4.1m last month, the federal labour office in Nuremberg said yesterday. Mr Bernhard Jagoda, federal labour office president, said: "Economic recovery and growth have so far not had the effect of preventing the unfavourable development of the lahour

market." The figures cama as override the intentions of recent legislation and retain sick pay levels at 100 per

The deal could provide a model for settlements in other regions.

cent of wages.

Although employers achieved some savings in total employment bills, the settlement may prove a setback for those in the ruling coalition of Chancellor Helmnt Kohl seeking to boost the country's competitiveness and reduce onemployment through lower labour

The unemployment figures followed other statistics this week which suggested the German economy, although growing, is not on a steady recovery path.

Seasonally adjusted gross domestic product in the three months to September was 1 per cent higher than the previous quarter, but figures for industrial production in October showed a steep decline compared with September. Manufacturing orders rose in October but not enough to offset a fall in

Unemployment rose in all regions of Germany last month. The seasonally adjusted number of nnemployed in west Germany increased by 34,000 to 2.924m and in east Germany by 17,000 to 1.176m.

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# Job creation in the firing line

Public spending cuts threaten 'make work' schemes that have benefited the unemployed in eastern Germany, writes Lucy Smy

Froertzek from the train to huilders on the platform slurping from a Thermos. One of 162 workers serving

coffee, tea and snacks from trolleys on Berlin's overground S-bahn system, Mr Froertzek has picked up the importance of cheap advertising if you work for a joh creation scheme on a oneyear contract where the funds are under threat. It is estimated that eastern

Germany's unadjuated

unemployment level of 15 per cent would rise to 23 per cent without job creation measures, but the government is committed to cutting 25 per cent from next year's public spending. With German unemploy-

ment topping 4m, according to yesterday's figures, the unions and employers in government faced tough electrical and metal indus- questions last week in the tries reached a surprise deal parliamentary hudget debate

The majority of those on joh creation schemes work, like Mr Froertzek, in Arbeitsbeschaffungsmossnahmen (ABMs), the all too honestly named "make work" programmes. Last year, 205,800 people in the east found places on these schemes. They work in special pro-

jects doing such things as

"Our coffee is better than gardening, running kinderyours!" shouts Mr Bernd gartens, and looking after the elderly. To receive funding the schemes have to be classified as extras, services

> 249(h) schemes, so called after the paragraph in the law that brought them into being, work in real companies, however. The difference between the two is that the labour ministry pays the company the equivalent of the worker's unemployment benefit, leaving the company to make up the difference. The 249(h) scheme is cheaper to run, explaining its swift growth after introduction in 1993. In 1995, 106,500 people were employed in this way. hut for only a third of the

in Lower Saxony which will about its intentions towards criteria, the government has

that would not otherwise be Workers on the alternative

coat of those on ABM

to cut its public spending deficit to meet Maastricht DM17bn (\$10.8hn) spread over four years and these

cuts are mainly to be concentrated in active employment support programmes. Government supporters say the reduction in funding will he accompanied by changes to legislation min-

lmising the actual cuts in

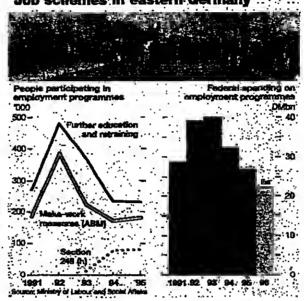
the number of loh creation

the payment workers will receive and by increasing measures such as 249(h). Mr Wolfgang Vogt MP,

head of the Christian Democratic Employers Association, estimates that the total number of job creation places will fall by only 7,000. However, an opposition SPD member, Mr Ottmar Schrelner, says: "In real terms [the cuts mean that about two thirds of all funded activities will be cut hy the year 2000.... in this situation the proposed cuts in the active employment aupport programme lack all justificain theory, experience on

an ABM scheme should ease the path of workers either to 249(h) places in companies or into real jobs. The reality for many of eastern Ger-As part of Germany's drive many's long-term unemain ployed is different. But it is estimated that less than 20 per cent of those on the joh 1982. creation programmes go on to get real jobs. Alternating one year on an ABM scheme with one year of unemployment is as common as It is demoralising, creating ah expensive tier of society in a second lahour market who will never make it into real

> S-presso, the coffee and snacks ABM which employs



Mr Froertzek, planned to employ 165 people, four of them social workers. Rules on participants say they mist have been unemployed for more than a year -S-presso has one worker who had been unemployed since

only guaranteed work for a year, after which they may have to give up their place to someone else who has been unemployed for longer than a year. While the S-presso project.

which has been running since March, is popular with travellers it could never

cern because of the cost of lahour, says Mr Arik Komets, its head of personnel. He is deeply concerned about the prospective funding cuts. Supported by the local labour office and the Berlin senate. S-presso is already under pressure. Last there' would be enough money for the project to continue until March; thereafter

things are uncertain. As Mr Komets says: "We have people here who would have great difficulty ever finding adequate employment in a free market econ-

Editorial Comment, Page 13

# Italy welcomes

Italy's inflation has come down to an annualised 2.6 per cent, a level not touched since 1969. But good news on inflatioo is balanced by concern over outstanding wage

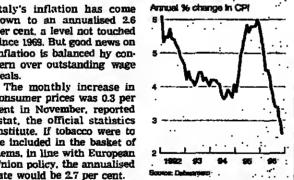
consumer prices was 0.3 per cent in November, reported Istat, the official statistics institute. If tobacco were to be included in the basket of items, in line with European Union policy, the annualised rate would be 2.7 per cent. These figures were widely expected after preliminary data released last month on the trend in Italy's hig cities. Nevertheless, they were welcomed by the government as evidence of the soundness of

its economic policies. However, trade unions were cautious. A spokesman for the CGIL, the largest trade union confederation, said: "The fall in prices is the result of an alarming drop in demand; and this is a clear signal of recession."

The government is concerned thet part of the fall in inflation is attributable to depressed domestic demand. Mr Romano Prodi, the prime minister, said: "The decline in inflation is as yet by no means sufficient to ensure our economic recovery: we also need the cost of money to come down."

Prices have fallen steadily over the past 12 months apart from minor blips in April and September. The government had anticipated year-end inflation would be running at 3 per cent and has fixed a 1997 target of 2.5

per cent. Last month an important element in the continued fall was a decline in the impact



of foodstuffs. These account for a fifth of items in the consumer price index and last month they increased a mere 0.1 per cent. On an annualised basis the higgest pressure on prices comes from housing, fuel, electricity and water, which are reasing at 4.9 per cent. However, the Bank of Italy

is also concarned about potential inflationary pressures from wages - an agxiety that has been holding back a further cut in interest rates. Negotiations over a key new wage contract for 1.6m engineering workers are stalled. But if the unions win concessions this would have an immediate impact on other pending wage deals, since engineering wages have always been regarded as the benchmark for other

sectors. The main sticking point is a demand by the engineering unions to recover a substantial amount of lost earnings eroded by inflation since

This, they claim, is due under a wages and productivity agreement signed by the government, employers and unions in 1993.

# Irish allow for usual falling inflation EU horsetrading

The revision of Maastricht has been labelled 'mission impossible' writes Lionel Barber

Mission impossible is how he identified. one senior European Union diplomat described the task of revising the Maastricht treaty yesterday. By that yardstick, the Irish presidency's draft text is no mean achievement The 140-page document is

readable, well-organised, and cautious in scope, with the exception of proposals for reating a common area of "freedom, security and jus-tice" among the 15 member The paper is not a treaty: tt is intended to serve as a

basis for further negotiation

at the Inter-Governmental

Conference. One look at the accompaying Irish commentary underlines how difficult It will be to meet the self-imposed deadline of a final deal at the EU summit in Amster-

dam next June The document makes no attempt to draw up treaty language covering three sensitive items in the IGC: the halance of power between hig and small member states, including the size of the European Commission; the extension of qualified majority voting; and the question of "flexibility" which would allow countries to co-operate more closely in specific areas without being

held back by others. The Irish share the general view that these questions can only be settled in lastminute horsetrading. Their focus, therefore, comes down to four areas where common interests - if not necessarily common approaches - can  An area of freedom, security and justice. The presidency suggests new treaty language covering the free movement of people, asylum and immigration, as well as strengthened co-operation hetween governments and national police forces to

· Foreign policy. The treaty text calls for a limited extenston of the European Commission's authority in trade negotiations covering services, intellectual property, and direct foreign investment. It also calls for "closer relations" hetween the EU and the Western European tackle organised crime, ter- Union, its embryonic defence

One look at the accompanying Irish commentary underlines how difficult it will be to meet the self-imposed deadline of a final deal at the European Union summit in Amsterdam next June

rorism and drug traffickers. The text proposes setting a target date for guaranteeing the free movement of people within this new European space, possibly by January 1 2001. But member states disagree on whether to incorporate the soon-to-be-expanded Schengen accord on freedom of movement among seven member states into the full EU treaty.

• The Union and its citizens. The highlight is a "Jobs Chapter" which calls for the promotion of "a high level of employment", common guidelines on employment, and a new committee of Brussels-based civil servants monitoring the policy. The text also proposes arm, and for an incorpora-tion of the "Petershurg tasks" covering humanitarian aid and peacekeeping in the treaty. Military and defence decisions would still be made by unanimity. In addition, the Irish think

that the Union should be endowed with a "legal personality" which would allow tha rotating EU presidency to negotiate agreements on behalf of the rest of the members, subject to unamimous authorisation and approval. The idea is to make it easier for the Union to be an external actor beyond trade matters.

 Institutions. The report says that it is desirable to strengthen the European making sustainable develop-Parliament's role as a co-legment a treaty goal to islator. Legislative decisionstrengthening environmenmaking should be reduced to three processes.



THE REAL PROPERTY.

BARSEBÄCK

POLAND

The map shows Sweden's

SKr10bn over five years will

be implemented to improve

energy recovery from bio-

mass products such as wood

shavings and waste pellets,

whila developing other meth-

Yet many wonder why the

such a politically sensi-

government has mired itself

tive debate at all. The SDP

ducked the issue at the 1990

referendum, declining to

take a stand for fear of split-

ting the party. Today the

Tha answer lias in the

SDP's informal electoral alli-

ance with the Centre party.

on which it relies for parlia-

mentary support. Nuclear

abolition is a political imper-

ative for the Centre. SDP

ministers clearly see this as

a price worth paying for its

party is no less divided.

ods such as wind power.

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Mary San of Mary Market Street ...



# Sweden set to grasp nuclear power nettle

Phasing out capacity will be far from easy, writes Greg McIvor

After two decades of bitter near St Petersburg - if the debate and political wrangling, Sweden is poised to embark on its most expensive and controversial environmental project - the multi-billion dollar decommissioning of the country's nuclear power industry.

The minority Social Democratic government is confident of imminent agreement with several opposition parties to close the first of 12 nuclear reactors by the end of the millennium. It would be the first step towards fulfilling a commitment, made following a referendum in 1980, to phase out the country's atomic power capability

That deadline is now seen as unrealistic by the government, but Mr Anders Sundström, industry minister, is adamant the process must start after the next general election in 1998. Support appears likely from the environment-oriented Centre party, and several other smaller ones, including the Left and the Greens - sufficient for a clear majority in

Nuclear power is an emotive issue in Sweden, where public opinion is coloured by memories of the Chernobyl nuclear disaster in 1986, which contaminated large tracts of northern Sweden.

Yet the industrial establishment and union movement are implacably opposed to any weakening of the nuclear infrastructure. They a cheap source of power will force up electricity prices and undermine manufacturing profitability.

Mr Tord Eng, an economist at the Federation of Swedish Industries, says the knock-on effects of decommissioning just one reactor will spread through business "like ripples on water". "Production will fall and unemployment will rise," he

Mr Bert-Olof Svanholm, Industries, says it is like scrapping your car when it is only a few years old": "If we are truly concerned about nuclear power we should act against those reactors which are the real risks." Nuclear plants in the former Soviet Union pose a far greater threat to the try ministry. health of Sweden than its more modern reactors, be

The federation has even offered to fund the decommissioning of two of these plants deemed to constitute a high risk - at Ignalina in Latvia and Sosnovyl Bor programme worth perhaps

government agrees to keep Sweden's plants open for their technical lifespan. However, the offer looks set to gather dust. Nuclear power accounts

for half Sweden's energy needs, hydro-electricity suptoday reckoned to have a 40year lifespan; Sweden's oldest plant is 24, suggesting the government could wait until 2012. Ministers say this would lead to a flurry of closures which would be impossible to absorb without massive disturbance to the industry. They prefer a programme staggered over many years.

Two key obstacles lie ahead. First, the total cost, estimated at anywhere batween SKr90bn (\$13bn) and SKr350bn, presents a huge burden for a country of less than 9m people. It is not clear how this would square with the government's pledge to run an annual bud get surplus after 1998.

Compensation would have to be paid to the operator of any reactor which is shut, and Vattenfall, the state energy utility, is already demanding SKr10bn per reactor if one of its plants is selected. Sydkraft, the independent nuclear generator, has a similar stance.

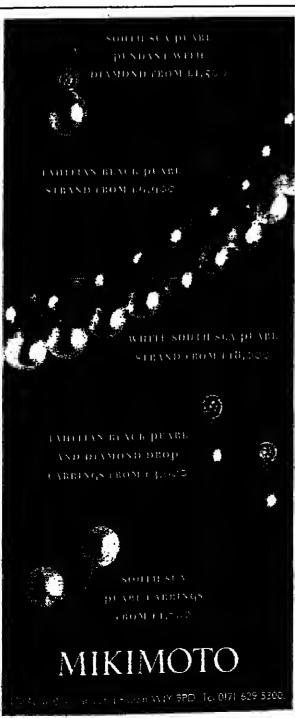
Second, it is unclear how the energy gap will be closed. The most straightforward solution would be natural gas, but this would fear the costs of dismantling increase carbon dioxide emissions beyond levels Sweden is committed to.

The government would happily plug the deficit by building more hydro-power plants, but it admits this is politically impossible because of public objections to damming more rivers. Instead, it insists alterna

tive sources such as solar energy, wind power and biofuels will bridge the divide. These are considerably more expensive, however, and chairman of Volvo and head would at best replace only "What we need is a technological breakthrough. We

can stimulate-that through the closure of one reactor, which will put pressure on the whole research and retary of state at the indus He stresses that reactors

will only be closed at a pace allowed by technical development and that the government will not countenance higher electricity prices for industry. In the meantime, a research and development



NEWS: EUROPE

### Court backs cheap drug imports SWEDEN By Emma Tucker in Brussels fits to society that come from a vent medicines from Spain and Por

The pharmacentical industry yesterday lost its battle to stop cheap unpatented drugs from Spain and Portugal entering other European Union countries.

In a surprise move the European Court ruled in favour of two British companies, Primecrown and Buropharm, which wanted to import drugs sold in Spain for resals in the UK. Price controls and the absen of patents in Spain and Portugal help make drugs cheap there.

Overturning the preliminary advice of one of its advocates general, the court ruled that the principle of free movement of goods took precedence over fears that markets

tented products.

The ruling should open the way for drug importers in other EU countries to bring in about 30 drugs be identical to, but cheaper than, those available in northern Europe.

The complainants - Merck of the US and Smithkline Beecham argued that the importing of certain drugs from Spain and Portugal, where no drugs were patented before 1992, would cancel out the benefit of the patent protection they still enjoy in most EU member states and harm research efforts.

Merck said yesterday: "By undermining patent protection, the court seems to be willing to risk the bene- European drugs companies to pre- problem.

UISA. MIKING BUSINESS LIFE EASIER.

While the court's ruling may be a from Spain and Portugal which will selfishly from the fragmented nature of the European medicines market, it is cold comfort to those who are concerned about the inter-

est of European patients." The court said there could be no doubt that if a patentee could prohibit the import of protected products marketed in another member state by him or with his consent "he would be able to partition national markets and thereby restrict trade

between the member states". The case forms part of a battle by

strong research-based industry. tugal entering other Union states. Last year they failed to persuade the short-term victory for the middle- European Commission to allow men and arbitrageurs who profit seven countries to extend the ban on drugs from Spain and Portugal.

They said they could lose more than \$2bn a year in sales once exports entered their markets. But the Commission said that data sunplied in support of the ban's extension had not indicated serious economic difficulties in the sector as a result of parallel imports.

Merck is to take up the issue with Mr Martin Rangemann, the industry commissioner, next week. It and other pharmaceutical countries want a political solution to the

# Blockades fail to move Greece's PM

By Kerin Hope in Athens

Costas Simitis, yesterday warned farmers who have been blockading main roads and railway lines for the past week that the government would make no concessions on debts or taxes for any special interest group.

The government appeared to be hardening its stance following the breakdown of talks with farmers' unions and the spread of protests to southern Greece, which

could disrupt basic supplies to the Athens area. The protests are the first test of the Socialist government's commitment to tighter economic policies aimed at ensuring Greek participation in monetary union. Mr Simitis said the government was determined to avoid "the fatal trap" of

handing out extra grants or subsidies to farmers, but he will face strong pressure from grassroots Socialist organisations to bny back the farmers' support.

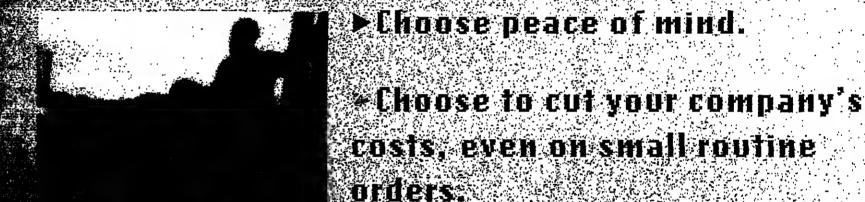
More than 10,000 tractors are blocking intersections on the main north-south highway used by international trncks carrying goods between Greece and central Europe. The farmers have also halted cross-border traffic with Bulgaria and Turkey and cut off access to secondary roads.

Thay want the government to reschedule about \$1.3bn in debt owed to the state-controlled Agricultural Bank and to reinstate a tax break on fuel.

The farmers are a powerful political lobby, as they make up almost 20 per cent of the total workforce. They have grown increasingly militant in response to efforts by the Socialists to tax agricultural incomes and tighten spending by state-funded co-

operatives. Their demands reflect the effect of cuts in EU subsidies for some crops and the government's increased willingness to import fresh produce in order to keep down conclaim that real incomes have declined by more than 20 per because of rising costs and a loss of competitiveness

Greek farmers have run up a large burden of debt with state banks by investing heavily in equipment to expand production of industrial crops such as cotton maize and tobacco, despite the likelihood that EU support prices for such crops will be further

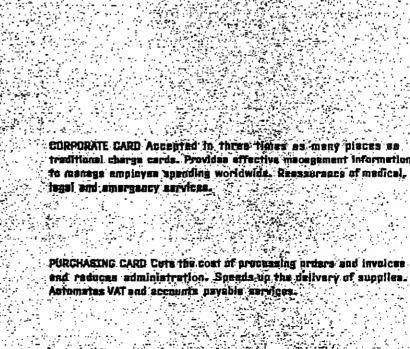


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# Protect public access | Iraq oil shakes Gulf states' unity to databases, says US

US officials yesterday sought to allay concerns in the US and elsewhere that a new international treaty to protect databases from unauthorised copying will restrict public access to information.

Mr Bruce Lehman, head of the US Petent and Trademark Office, said Washington would not endorse any databasa protection treaty that "locks up facts".

Opponents of the draft pact, one of three intellectual property treaties being ed at a meeting in Geneva of the World Intellectual Property Organisation (Wipo), say its provisions are

They fear the proposed accord would permit database owners to license virtually all uses of the information contained in them. whether they be court opinions, sports statistics, bibli-

recognised these concerns and would not back a treaty unless they were satisfacto-

The objective of the accord was not to impede use of factual information but to prevent the theft of a substantial investment, he said. Detabases can be very expensive to compile but can ba copied and distributed electronically with the touch of a few computer

The pact as drafted would establish a special form of protection for databases that involve a "enbstantial investment" of resources, requiring users to seek authorisation if they want to copy all or "a substantial

Noting that the European Union already has a directive on databases, Mr Lehman said the US also saw the need for some kind of

Mr Lehman said yesterday ever, though Washington that the US government had put forward some treaty language, it was open to discussion of the details. Ha said the chances of

greeing a database treaty at the Geneva meeting, which ends on December 20, were anyway "very remote" because procedural delays meant the three-week conference had yet to begin substantive discussions.

Wipo officials conceded even before the meeting started that the database treaty might not be approved. It was only earlier this year that Brussels pro-"internationalising" its database directive and there has been relatively little discuseion outeide Europe of issues involved. If the pact is not accepted

to consider intellectual property protection affecting

this time it is likely to resur-

face at a Wipo meeting next

April in Manila which is due

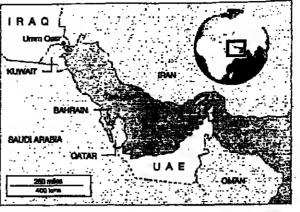
gas-oil exports through the United Arab Emirates have added to disunity among the six states of the Gulf Co-operation Council (GCC) before their annual

summit starting tomorrow in Qatar's capital. Doha. The GCC links Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE in a loose political, defence and economic agreement. Together they own more than 40 per cent of proven

The UAE, which for more than a year has been urging Arab reconciliation with Iraq, went a step further last week by suggesting that regional states should "normalise" their ties in spite of UN sanctions.

The UAE proposal was

made in the name of its president. Sheikh Zaved Bin Sultan Al-Nahyan, by an Abu Dhabi official. "We (Arabs) heve to all do it together. We have to forget what happened." he said, in reference to Iraq's 1990 invasion of



port the UAE's proposal met instant but discreet opposition from Kuwait. Saudi Arabia, and Bahrain; and caused considerable concern in Washington.

Speaking in the UAE capi-tal Abu Dhabi, Mr William Perry, US defence secretary said any normalisation of relations with Iraq would be "premature".

When it comes to the GCC heads of state meeting, diplomats say, the UAE is expected to move cautiously on Iraq for three main reasons: First, Gulf states' policy

standing big issue for tha group and represents unfinished husiness. To scrap spur of the moment sets the worst possible precedent, the diplomats say. Should the UAE need the GCC's support on an important issue in the

future - for example. Fran'e occupation of Gulf islands claimed by the UAE - any one or more of the other five could say: Why should we help you ovar tha islands you broke unity over Irag? The UAE would have this thrown back in its face,

more than enough wisdom to understand this". ■ Second, if the GCC restored relations with Iraq,

this would "send a message to Baghdad that Gulf states are a weak and accommodating group willing to help Iraq defy UN sanctions provided iraq stares down the international community long enough. This too," the diplomats said, "would set a precedent which is not in the GCC's interest." ■ Third, for the UAE or

GCC to break UN ranks would be received with relish by the incumbents in Baghdad that regardless of how strictly the UN moni-tors the oil-for-food deal, the GCC can be relied on to provide a loophole," according British and US intelligence

officials are reported to be "seriously conalready middle distillate gas-oil and diesel are finding their way to UAE ports. Western air and naval sur-

veillance to the Gulf shows constant" ehipments of Iraql gas-oil leaving Umm Qasr at the mouth of the

Gulf and moving inside iran's territorial waters. before berthing at Iranian

Without unloading, the ships then cross the Gulf to the UAE, having ewapped counterfeit certificates of origin for "genuine" ones. They are seen unloading their cargo at Dubai's Jebe All, "and two smaller ports in the northern emirates" understood, but not con-

firmed, to be Sharjah and

The gas-oil is then imported into the UAE itself. either for domestic consump tion, where it would have to undercut local products, or more likely for re-export by road through the UAE, or he sea on local dhours to other GCC states. Most, however, is thought to go by dhow to the Indian eub-continent.

Diplomats say Knwait Seudi Arabia and Bahrain as well as the US and UK. all hope to see the UAE restor ing a measure of discipline among those of its members where respect for UN sanctions is somewhat lax".

Robin Allen

# seen as key to Ghanaian election

Africa'e political and economic trendsetter means tha ontcome of tomorrow's presidential and parliamentary election is likely to be closely watched by multilateral institutions operating in a region where democracy remains rooted on uncertain foundations.

The indications are that President Jerry Rawlings, the military ruler for a decade before his victory at the ballot box in 1992, may be hard pushed to keep his

Initially a populist radical, Mr Rawlings was the first in Africa to embrace economic reforms inspired by the World Bank and International Monetary Fund. before again leading the way as the first to abandon his fatigues and compete for power et the polls.

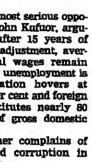
The gold- and cocoa-based economy has been the focus of campaigning, with Mr

nent, Mr John Kufuor, arguing that after 15 years of structural adjustment, average annual wages remain high, inflation hovers at about 50 per cent and foreign debt constitutes nearly 80 per cent of gross domestic

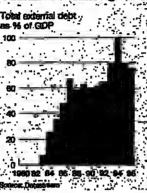
Ha further complains of unpunished corruption in

Mr Kufoor, an Oxfordeducated lawyer who leads an awkward alliance of his reform and privatisation.

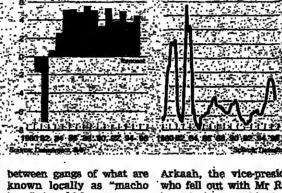
own conservative New Patriotic party and the more populist People's Convention party, advocates a quickening of the pace of economic The president's supporters point to a record of consistent economic growth since 1983, reversing Ghana's slide from relative prosperity at independence to poverty and decay during the 1960s and



"It's very close," said one very tense last few days,"



stern diplomat in the capital, Accra. "The opposition are doing well in the towns, but Rawlings is strong in the country. It has made for a In the central city of Kumasi last weekend, competition between opposition and government supporters spilled over into violence



boys", in which one person was killed. Lurid accounts of the confrontation in partisan. newspapers have contributed to unease elsewhere, including Accra and several other towns. Tensions have not been eased by Mr Kufuor's choice

ings during e cabinet confrontation a year ago when he was allegedly assaulted and had his suit sleeva torn. Whichever candidete

emergee victorious will require more than 50 per cent of the vote to evoid a of running mate: Mr Kow run-off later this month.

outcome of parliamentary elections, in which more than 700 candidates are National Assembly. While executive power rests with the presidency, a legislature coposed to the head of state would promisa to make politics in Ghana more lively, and abrasive, than at any time since tha bitter 1970s. The 49-year-old Mr Rawlings has dominated Ghana

ian politics for a generation. His supporters are confident of one, final victory. "But," says Mr Edward Salia, his transport and communications minister, "our greatest triumph will be to show that Ghana, the first in Africa to abandon dictorship and economic stagnation, will again be first by managing a second, consecutive, election, free and fair, and conducted

Antony Goldman between them.

# Taipei to suspend Pretoria links

An angry Taiwanese foreign minister said yesterday his nation would recall its ambassador to South Africa and immediately suspend all aid projects and treaties in protest at the breaking of diplomatic tles, Reuter reports from Johannesburg.

Mr John Chang told a news conference the moves showed the island state's displeasure at Pretorie's decision to cancel diplomatic links with Taiwan from 1997 in favour of

Speaking after talks in Pretoria with Mr Alfred Nzo, South Africa's foreign minister, an augry-looking Mr Chang said Taiwan would suspend its aid programme in South Africa and the bulk of 36 existing trea-

Mr Chang said the "great pain".

"We came to Pretoria with the sincere hope, and a bleeding heart, to try to find out whether or not we can save our diplomatic, at least to say formal, relationship,

be said. That hope was dashed in talks with President Nelson Mandala on Wednesday, who said he would stick by his "agonising" decision of the week before to end diplomatic tiee with

Taiwan is South Africa'e seventh-largest trading partner, with two-way trade totalling R5.7bn (\$1.24bn) in 1995. Up to 48,000 jobs could be et risk if Taiwan disinvested entirely from South Africa, though this is not seen as likely.

### **NEWS:** WORLD TRADE

# US and Japan in a tangle on insurance

Michiyo Nakamoto reports on why Tokyo hesitates to deregulate its life and non-life sector

trade negotiators meet in Tokyo today with little more than a week to resolve a bitter dispute over access to Japan's insurance market, the second largest in the world.

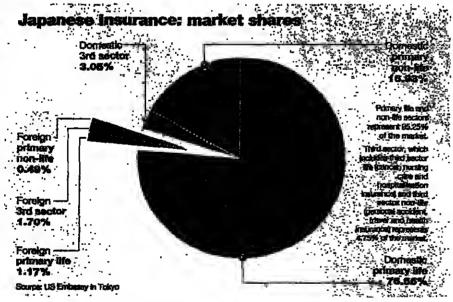
Ms Charlene Barshefsky, acting US Trade Representative, and Mr Hiroshi Mitsuzuka, Japan's finance minister, will begin what are expected to be final negotiations before a self-imposed December 15 deadline for settling the argument.

Earliar deadlines have been passed without agreement and failure this time could lead to sanctions by The dispute, which stems

from a 1994 agreement on liberalisation of Japan's insurance market, centres on two main issues: deregulation of the primary markets of life and non-life insurance and protection of the interests of companies dependent on the third sector of the market, which covers such products as acci-

The US is unhappy about the slow progress made in deregulating the primary markets and about Japanese plans to allow domestic life and non-life insurance companies into the third sector through subsidiaries.

Because of stringent rules on the rates and types of insurance products and on how those products may be distributed, says the US, foreign companies ara prevented from using their the third sector could dam-



expertise to offer competitive prices or innovative products. For example, rates for

motor insurance, which of the non-life insurance form rates for everyone. are liberated, good drivers cient companies could compete on the basis of cheaper

of Japanese companies into

makes up nearly 50 per cent market, are strictly regulated by a rating association which sets more or less uniregardless of age or region. The US argues that if rates would not have to subsidise bad drivers and more effi-

At the same time, the US is concerned that the entry

age the interests of foreign companies, many of which have carved out a profitable niche in third sector products, such as personal accident and cancer insurance. AIU, the US group, has the largest share of Japan's travel insurance market,

according to ING Barings. Such deregulation of the third sector, the US claims, is in breech of the 1994 agreement in which Japan promised to avoid radical change in the business environment of the third sector market and substantially to deregulate the primary sectors before liberalising the third sector.

The Japanese counter that

mented substantial deregulation of the primary sectors and that the liberalisation measures introduced in the third sector do not constitute radical change The ministry of finance

has given way on a US demand to allow direct mail motor insurance, which had been adamantly opposed by the Japanese industry, and American Home Assurance Company, a subsidiary of AIG, is offering a direct mail service from this month. The finance ministry has also insurance products for which rates will be deregulated.

significant deregulation in the primary sector. But the Japanese authorities and industry protest that Japan is being asked to give up a system with which they are extremely comfortable and adopt one that is alien to

Japanese culture. The Japanese are particularly worried about the disruptive effects that a sudden injection of compatition would have on a society that treasures harmony and on a tried and tested system in which regulation may have kept choice limited and prices high but which has ensured insurance is widely and equally available.

The deregulation advocated by the US would create a market in which those who are deemed to be bad risks will have to pay more than those who are considered good risks. "This is not acceptable to Japanese society," explains Mr Nobuo Hara, general manager of the international department at the Marine and Fire Insurance Association of Japan.

"We are not against increasing choice for the consumers," he says, "but tha question is whether or not we can accept the principle of inequality. Japanese people would

find it hard to accept dereguincreased the number of lation of motor insurance rates which could lead to younger and elderly people with higher risks, and those The US is not yet satisfied. living in areas where the they have in fact imple- This week, Ms Barshefsky incidence of accidents is

emphasised that a resolution higher, having to pay higher to the dispute depends on premiums. "This would create social disruption," says an official at the finance

ministry. The Japanese also shudder at the thought of how such deregulation would lead to people with higher risks. who would be unwilling or unable to pay the higher premiums, driving without

Although the US emphaeises that deregulation would create greater choice for consumers, even independent observers are sceptical of the benefits of primary sector deregulation.

he small number of companies in the industry - there are only 24 non-lifa insurance companies and 27 life insurance companies in Japan compared with about 4,000 altogether in the US means that market forces are unlikely to work effec-tively, says Ms Rie Ota. industry analyst at ING Bar-

ings in Tokyo. Rating associations set rates at levels that provide mable profits for every one, but once rates are deregulated and price-cutting occurs, the whole system of making profits collapses, Ms Ota notes.

When that happens, and some insurance companies end up unable to cover their payments, "the consumers will be hurt the most," she says. That is a situation Japan's regulatory regime is

### Export credit guidelines to meet agreed

By Nancy Dunne

Industrial countries agreed yesterday to a set of formal guidelines for their export credit agencies to use in deciding whether to provide export financing tied to foreign aid to customers in developing countries.

The new rules on "tied aid" were announced vesterday by the Organisation for Economic Co-operation and Development (OECD), based on an outline agreement on the use of aid credits signed in Helsinki to 1992 as part of the OECD's Arrangement

on Export Credits.
The guidelines limit tied aid to projects which are sound from a development perspective, but are financially unviable and therefore not able to attract credits on the market.

Export credit agencies use tied aid to help their exporters win contracts in highly competitive markets. China often demands such subsidised credit. France and Japan have most often been its providers.

The new rules bring the OECD a step closer towards a long-time goal of removing distortions in trade and competition created by government-backed export credits. During the 1980s, as much as \$10bn a year to tied aid financing was awarded, but OECD curbs last year helped limit tied aid to less than \$4bn.

"Every country faces temptations and pressures to provide assistance to its exporters, and everyone is facing budgetary pressures," said Mr Jeffrey Shafer, tary for international "As budget pressures have

increased, countries have nal competitive pressure. agreed to join with us to exercise mutual restraint." Under the OECD rules, nations are not eligible for poorest countries are

# Vietnam resolved **Afta rules**

By Jeremy Grant in Hanol

Vletnam'a foreign minister, Mr Nguyen Manh Cam, yesterday reaffirmed Hanoi's commitment to meeting ambitious tariff reduction targets of the Asean Free Trade Area (Afta) and urged the country's poorly performing state sector to become competitive.

"From now to 2006, we will take all the steps necessary, he said. "In the future we will have to adapt policies more to Afta."

Under Afta rules. Vietnam has until 2006 to change its tariff structure to bring it into line with most members of the Association of South East Asian Nations (Asean). That includes cutting duties on most imports to 5 per cent or lower. Hanoi joined Asean in July last year.

Vletnam amerged from under the umbrella of Comecon, the Soviet commandstye economic grouping, only 10 years ago. Since then, its economy has seen impressive growth rates, averaging 8.5 per cent in the last three years.

However, come economists worry that Hanoi's insistence on keeping the state sector as the backbone of the economy betrays a protectionist instinct out of step with its official degire to embrace trade liberalisation. There are also concerns that its enthusiasm for steering its state enterprises

towards import substitution rather than exports may slow growth. However, Mr Cam said etate enterprises faced "e new situation" in which they had to be competitive and indicated that Vietnam saw no contradiction between

this and a strategy of open

ing up its economy to exter-

"If we protect the products of those enterprises, we at the same time must meet the wealthier developing requirements of Afta. We have to re-adjust our laws tied-aid credits, while the and regulations in order to integrate into the region," he axcluded from the ruling said in an interview with the Financial Times.

# WTO urged to set target date for free trade

By Guy de Jonquières

World Trade Organication ministers were yesterday urged by a group of leading international economists to set e target date for achieving global free trade and to all tariff and non-tariff barriers to agree to launch a new round of trade by 2025. comprehensive trade negotiations

by the year 2000. isters' meeting in Singapore next agreement and would help prevent week should reject a US-backed demand that the WTO discuss undermined by the growth of dislabour standards. They said adopt- criminatory regional trading ing a "social clause" would weaken arrangements, they said.

support for the organisation and

thwart trade liberalisation. In a joint statement published by the Stockholm school of economics. the aconomists urged the WTO ministers to call for the removal of

Such a commitment would complete the liberalisation achieved by The 34 economists said the min- the Uruguay Round world trade tha multilateral system being

The economists said the WTO should accept controversial proposshould leave efforts to improve labour standards and respect for human rights to specialised agencies such as the International Labour Organisation and Unicef.

"Our view is that the more one

includes such social or societal

objectives into the WTO, the more

one is setting up road blocks to

trade liberalisation, which is and

should remain the main objective

of the WTO."

WTO ministers resolve the threat of international trade and industry. als to discuss competition policy of conflict between global trade and global investment rules, but and environmental rules by "grandfathering" the main multilateral environment agreements concluded until now.

They also urged an increase in the WTO's budget and resources. Signatories include Professors Paul home is the clearest sign yet of the Krugman, Jagdish Bhagwati and Anne Krueger of the US, Staffan ity government about this and Burenstam Linder and André Sapir another corruption scandal. Mr from Europe, Ross Garnant and

The economists proposed that Mr Shinji Sato, Japan's minister yesterday confirmed that he would US Treasury under-secrenot go to the WTO meeting because he had to answer parlia- affairs. mentary questions on a scandal involving Miti officials, William

Dawkins reports from Tokyo. Mr Sato's decision to stay at alarm in the seven-week-old minor-Yukihiko Ikeda, foreign minister, Richard Snape from Australia and is due to attend part of the WTO meeting in Mr Sato's place.

Formosa Plastics group to sign landmark deal to generate and sell electricity

# Taiwan contract to end power monopoly

By Laura Tyson in Taipei

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Formosa Plastics, Taiwan's blggest industrial group, will today become the country's first private sector power supplier, ending a 50-year state monopoly and marking a mllestone in Tapci's privatisation programme.

in its first foray into the power industry, the petrochemicals-to-electronica giant will sign contracts to

for NZ

'by next

generate and sell electricity under construction. It will to Taiwan's state-owned house an oll refinery and monopoly, Taiwan Power (Taipower)

Its 1,800MW thermal power US\$1.44bn, will break ground in Mailiao in northarn cent a year. Taiwan next week and is October 1998.

Mr Rashid, handling his first

big tender and concerned

about poor investor

banks.

several downstream petrochemical plants.

Demand for electricity in plant, estimated to cost Taiwan is growing at a rapid rate, averaging about 6 per

The increasing demand scheduled to come oo lina in and the strident opposition to government plans to build Mailiao is the site of For- the island's fourth nuclear mosa Plastics' multi-billion plant in northern Taiwan petrochemical complex now were behind the decision to

open power generation to the private sector.

Formosa Plastics was one of Il consortia which won licences last year to build and operate electricity generating plants in the initial stage of privatisation.

Under government rules, the new independent power producers must sell electriclty generated by the new plants to Taipower for distri-

pleted, they would add a combined 10,300MW to Taiwan's 1995 total installed capacity of 21,900MW.

Several other private sector groups which won licences are facing financial and practical problems in constructing power plants.

Formosa has agreed to sell about 1,350MW of electricity to Taipower over three years at an undisclosad price,

If all 11 projects are com- starting in March 1999. Formosa also plans to build a US\$3bn power complex in Zhangzhou, in the Chinese province of Fujian, on the south-east coast of China opposite Taiwan.

However, the project has been temporarily put on bold aince August, when Taiwan'a President Lee Teng-hui called on Taiwan business to slow the tide of investments to China.

He is a very shrewd deal-maker, good with figures

and he haa a precise

Mr Rashid says his new

group will be looking to

finance the expansion of

Malaysian companies abroad

- a central aim of the gov-

ernment as the Malaysian

economy becomes more

international. MRCB, for its

part, stands a good chance of

winning lucrative infrastruc-

ture projects, such as the

construction of a new admin-

istrative capital, Putrajaya,

Mr Rashid says he wants

to keep the new holding

company active and involved

in value-added projects in,

for example, infrastructure

He also wants to build up

his brokerage presence in

the south-east Asian region;

a new representation is

expected to be opened in

Thailand shortly. The firm

already has offices in Lon-

However, he is hoping that

open fully fladged

Malaysian banks may over

the next few years get

branches in other Asian

near Kuala Lumpur.

and privatisation.

# Patten pledge

ASIA-PACIFIC NEWS DIGEST

# on passports

Mr Chris Patten, governor of Hong Kong, yesterday sought to remove anxieties about the treatment of British passport holders in the territory after it returns to Chinese sovereignty on July 1 next year.

Speaking to a special session of the Legislative Council, Mr Patten said tha holders of passports granted under a 1990 scheme would not be treated as dual nationals. The scheme offered British passports to 50,000 Hong Kong households and covers more than 135,000 people.

Concerns had been prompted earlier this week after a senior British official noted that China regarded holders of such passports as dual nationals and therefore exempt from British consular protection. But Mr Patten pointed out yesterday that there were no differences between the special-scheme passports and other British John Ridding, Hong Kong

### HK boat camp to close

The Whitehead detention centre, ona of Hong Kong's main camps for Vietnamese boat people, will be closed on January 3, signalling the beginning of the end of the problem, according to Mr Brian Bresnihan, Refugee Co-ordinator. If current repatriation rates are kept up, tt should be possible to close all the camps in the territory by the middle of next year, he said.

Mr Bresnihan said China has demanded that all migrants be returned to Vietnam by the time it resumes sovereignty over Hong Kong on July 1. More than 61,000 Vietnamese migrants had been returned since 1989 under the territory's repatriation programmes and 7,700 now remained in Hong Kong.

### Philippine inflation slows

A sharp drop in rice prices was behind the fourth consecutive monthly drop in Philippine inflation last month. It slowed from 4.7 per cent to 4.5 per cent. For the 10 months to November average inflation stood at 8.7 per cent. Rice, which makes up about 13 per cent of the consumer price index, reported weakening prices in 12 of the 16 producer regions. Government economists expect impending petrol price increases to push inflation above 5 Justin Marozzi, Manila

### ADB sets Taiwan issue terms

The Asian Development Bank (ADB) yesterday set terms for its second local-currency fund-raising exercise in Taiwan. The coupon rate (fixed interest rate) for the launch of T\$7bn (\$255m) in seven-year bonds was set at 6 per cent, according to Taiwan's Chinatrust Bank. lead underwriter of the issua. In August 1995, the ADB issued a seven-year Taiwan dollar-denominated bond worth

Taiwan's central bank approved the latest issue last month in an effort to internationalise and develop the cash-rich island's financial markets, although the bank's governor, Mr Sheu Yuan-dong, cantioned against moving Laura Tuson, Taiper

### Indonesia cuts money rates

indonesia's central bank yesterday signalled a relaxing of which banks borrow from the central bank. Interest rates

# Coalition | Financier with eye to power games James Kynge reports on the rise of a Malaysian banking magnate

week' tan of Brunei, the world's richest man, yialdad an By Terry Hall in Wellington enduring triumph for a third party, Mr Rashid Hussain.

Mr Jim Bolger, New Zealand's caretaker prime minister, is "95 per cent certain" a new government will be formed by next week, he said yesterday.

He was delaying recalling Parliament by two days until next Thursday to give Mr Winston Peters, leader of New Zealand First, time to decide which of the two main parties, National or Labour, he wished to join in a coalition government.

Perliament must by law meet by Friday December 13 to elect a speakar. Some MPs apparently do not want to start the first session of New Zealand's first parliament elected on a proportional system, on a date traditlocally considered

"A little more time doesn't matter in this business," Mr Bolger said, "For 60 years we've had the Maori people on the left of the political spectrum, now after seven weeks' negotiations we've got a chance to see them in the centre." Mr Peters is part-Maori.

A powerful group of New Zealand exporters yesterday criticised some economic policy proposals of Labour and New Zealand First, which it called inflationary. Labour wants to widen the Reserve Bank's target inflation band from 0-2 per cent to 0-3 per cent: New Zealan First wants it set "just below" the average figure of New Zealand's trading part-

The exporters' group said after talks with Mr Don Brash, Reserve Bank governor, the bank should be given more flexibility in meeting its 0-2 per cent inflation target as a way of lowering value of the Kiwi dollar, up 30 per cent in the past four years.

The group, comprising the heada of 10 exporting groups, is concerned by the bank's tight monetary policy, widely blamed for the continuing rise in the dol-

Exporters said tts strength meant some exporters faced ruin.

game of aquash will have assets of M\$32bn between a finance (\$12.7bn) after its agreed minister and the Sulmerger last waak with Kwong Yik Bank. It will become the second largest Malaysian bank by profits and the third by assets after The game ended with the Maybank, a government-Sultan saying to his partner: linked concern, and Bank "Don't worry, somabody will be interested" – a reference Bumiputra, a troubled stateowned entity likely to be prito a large tranche of shares vaticed. in Malaysian Airlines, which "I was told I am almost the

first stockbroker in the bank," Mr Rashid said. His new-found national

Mahathir Mohamad, the

ing merger lt has been

urging for years and, cru-

cially, it has also enhanced

The 27.6 per cent stake

(MRCB), a publishing and

property conglomerate con-

trollad by Dr Mahatir's

political party in Malaysia's

ruling coalition) in the new

financial groop is greater

than Mr Rashid's personal

stake of just over 26 per

was placing. "I had the trader of the prominence is further Brunei Investment Agency boosted by his "national sercalling up shortly afterwards vice", a post as chairman of asking: 'Is that block [of the executive committee of shares] still available?" said Khazanah, a government-Mr Rashid, who last week took control of Malaysia's holding company and investment vehicle with M\$35bnbiggest financial group fol- M\$40bn in assets. Khazanah is beaded by Dr lowing the merger of two

The game was played prime minister, who has said some years ago but in the be sees no conflict of world of "Malaysia inc," the interest between Mr Rashid's post in Khazanah and his hothousa co-existanca position as a financial tics which conditions the mogul. Mr Rashid was not the national economy, favours are rarely forgotten. The only beneficiary of last merger betrayed signs of the week's merger. The governgovernment exacting repayment also earned a payback. ment for the help it once It realised the kind of bank-

Until last week, Mr Rashid was Malaysia's leading its influence in the new stockbroker with a reputa- Rashid Hussain conglomertion as the most prominent operator.

granted the emerging entre-

Over the next six months, as the deals are finalised, Mr Rashid and his family will become tha controlling shareholders of a financial powerhouse called Rashid United Malays National chant bank, a stockbroker, a retail bank, an insurance company, a leasing company and various other subsid-

The bank, DCB Holdings,



Rashid Hussain: 'shrewd deal-maker and precise memory'

Only by adding the stakes of his family members does Mr Rashid emerge as controlling sharebolder of the Rashid Hussain holding company with just over 30 per

There is no doubt Mr Rashid's overall influence has been bolstered by the merger. But observers say he has ceded considerable management control to MRCB. Mr Rashid's past provides some clues as to wby he was gained by Malayslan Resourcea Corporation

willing to do this. Mr Rashid, who passed the London Stock Exchange examinations and briefly worked on that market, set up his brokerage house in breaks was in 1986 when he won the tender to place out a large trancha of shares in Malaysia Airlines.

The game of squash ment's role has been rela- help from government diplobetween Mr Daim Zainuddin, tively minor in his success.

the then finance minister and still the kingmaker in Malaysia's corporate world, and the Sultan belped ensure a successful place-

from Mr Daim, who now holds the post of economic adviser to the prime minister and is widely believed to have a key say in allocation of privatisation concessions. his brokerage house on the

stock exchange but regulatory authorities resisted. Mr Daim, who was keen to representative offices. develop the brokerage indus-

associate. "But the govern-

don, New York, Indonesia, the Philippines and Singapore and is positioning itself as a bome-grown expert on south-east Asia's booming Later, help came again economies and on Islamic finance.

in investment banking, the field that excites Mr Rashid most, there are also plans to expand abroad. But most sonth-east Asian countries -Mr Rashid wanted to float including Malaysla - have yet to liberalise their banking industries, making it difficult to set up anything but

try, stepped in and the company\_became, in 1988, the "Rashid has been helped by the government, that is for sure," said one former

nations. For this, he says, a little macy would not go amiss.

monetary policy by cutting interest rates on its money market certificates, tha financial instruments through on all of Bank Indonesia's money market certificates, known as SBPUs, were cut by 50 basis points.

The one-week SBPU rate was cut to 15.25 per cent from 15.75 per cent, the two-week rate to 15.5 per cent (16 per cent) and all other categories, from one month to one Jakarta Stock Exchange Composite Index to a peak of 634.29 point, up 1.3 per cent. They mark a departure from Bank Indonesia's tight monetary policy and come at a time when Indonesia's inflation rate is at historically low levels: the November year-on-year inflation rate stood at

# Boost for Australian government on Telstra sale

By Nikki Tait in Sydney

Partial privatisation of Telstra, the Australian telecoms group wholly owned by the federal government, looks set to go ahead after two independent senators voted with the government to ansure anabling legislation was not lost in the Senate, parliament's upper house.

off one-third of Telstra shares, a move which could raise around A\$8bn (\$6.5bn) for federal coffers. It would be the largest privatisation ever seen in Australia. The ability to proceed with the

months as the two independent from Tasmania and Mr Mal Col- necessary to carry the bill.

The government wants to sell ston, who defected from the Labor opposition in August, have prevaricated. The government, which made

the Telstra sale a key plank in its election manifesto, does not have a majority in the Senate. Labor sale has hung in the balance for and the minor parties are strongly opposed to the privatisation, so senators. Mr Brian Harradine support from both independents is

have been swayed at the eleventh hour by the promise of a A\$250m package for regional Australia, to be funded from the proceeds of the share sale. "The money will be used to improve the quality of telecoms services and enhance the employment opportunities in

The two senators appear to telecommunications minister. bave been swayed at the eleventh "Low politics," retorted Mr Kim Beazley, opposition leader

The government agreed to delay proclamation of the Telstra legislation so that an inquiry could be held into Senator Harradine's suggestion that redeemable preference shares in the telecoms giant regional areas throughout Austra- be sold off to private investors, lia." said Senator Richard Alston. rather than ordinary shares.

Senator Harradine has canvassed this option strongly, though the federal treasurer has already said he does not believe it. is a workable proposition.

While the "second reading" vote is a strong indication of the bill'a likely success, the government cannot relax. The bill must still pass through the committee stage and a "third reading".





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Bank J. Vontobel & Co AG, Bahnhofstrasse 3, CH-8022 Zurich, Phone ++41-1-283 71 11, Fax ++41-1-283 76 50

# **Productivity** in US sees 0.3% decline

boliday.

is deviating

growth path

claims showed a continuing

upward trend in claims. It

rose by 1,000 to 337,750, the

There is little evidence in

any of the figures that the

US economy is deviating

path of stable growth.

Employment figures to be

published today are expected

to show a slight increase in

jobless claims and a slowing

This slight increase in job-

lessness is commensurate

with the gradual slowing of

the economy in the second

half of 1996 to a more sus-

of employment growth.

US labour productivity annual rate of 3.7 per cent, marked its first decline in nearly a year in the three months to September, the hourly compensation, Labor Department reported

The fall, at a seasonally adjusted annual rate of 0.3 per cent, was the result of a slower pace of economic growth in the summer.

The figure was a downward revision of a previous estimate of an Increase in productivity in the third quarter of 0.2 per

Total output increased at a 1.8 per cent annual rate in the three months to number of hours worked grew at a 2.1 per cent rate. the department said.

Short-term productivity. defined as output per number of bours worked, tends to rise and fall in line with overall production, as the number of workers employed and hours worked changes little on a quarterly basis, while total output

varies much more widely. After a slight fall at the end of last year, non-farm productivity rose strongly in the first six months of 1996, reflecting the rapid growth in overall production.

Gross domestic product markedly from its benign expanded at an annual rate of over 3 per cent In the first half of the year, with productivity growth of over 1 per cent.

But as the economy slowed after the summer, to an annual growth rate of and September, productivity

decline productivity suggests gentle achieved in the second quarinflationary pressures ter of the year. Most econoremain just beneath the mists see little justification surface of the US economy, since employees' pay Reserve to raise interest continues to rise in spite of rates when its policy-making the fall in their output per

Unit labour costs, which weeks' time.

# boost Mondex hopes

By George Graham,

production costs, rose during contenders in the race to the third quarter at an develop an "electronic purse", yesterday boosted up from 3.3 per cent in the its chances of success when April-June period. Workers' lt persuaded four large US banks to join its list of adjusted for inflation. North American franchises. increased at a rate of 1.1 per Chase Manhattan, Dean

Witter Discover, First Chi-Other figures published cago NBD and Michigan yesterday by the Labor National will all join the US Department showed a fall in offshoot of Mondex, which the number of first-time has developed a plastic card with an embedded microclaims for unemployment benefit last week. New chip which can be loaded applications fell from a with money, then used seasonally adjusted rate of instead of cash. Bankers and retailers are 344,000 in the previous week showing increasing interest to 366,000, partly because of

a working week shortened in electronic purses, which by the Thanksgiving can reduce the cost and risk of handling large quantities invest beavily in an experi-No reason to mental technology which believe economy may never gain general from benign

Mr Michael Keegan, Mondex'e chief executive, claimed the new group of backers was "further evidence that Mondex will be the global standard for chipbased payment products". moving average of new

The move follows the acquisition last month of a 51 per cent stake in Mondex International, the worldwide gronping developing the card, by MasterCard, the global payments consor-

That has helped bring in Chase Manhattan, the largest bank in the US, since It had previously planned a trial in New York of Master-Card's own electronic purse, MasterCard Cash, now axed in favour of Mondex.

However, Chase is also testing Visa Cash, the electronic purse produced hy MasterCard's arcb-rival In the payment card business.

talnable rate than was Dean Witter is also seen as a significant addition for Mondex, since it is the sinin the figures for the Federal gle largest issuer of general purpose credit cards in the rates when its policy-making US, with 43m cardholders. It federal open markets comhas a network of more than 2m merchants who accept mittes next meets in two

# US banks | Jurek Martin detects disappointment at the new foreign policy team

# Clinton team short on global vision

he foreign pollcy establishment, in Washington and in other world capitals, has heen hoping against hope that President Bill Clinton would offer the world a second-term vision of America's place in a changing world it has considered so lacking in his first four years.

The president himself may vet address this task. Bnt the foreign policy team he unveiled yesterday will nonetheless disappoint those weaned on a tradition of latter-day American Metternichs - Henry Kissinger, Zbigniew Brzezinski, even James Baker - to whom global strategy, whether epplied well or badly, was mother's milk.

The paper trail of ideas and thinking compiled by Mrs Madeleine Albright, the new secretary of state, Mr William Cohen at the defance department, Mr Anthony Lake, moving to the CIA from the National Security Council, and Mr Sandy Berger, his successor. is not, except in the case of

None is a novice in foreign policy. Like Mr Warren Christopher, Mrs Albright has been steeped in It for more than 20 years as a resident of think-tanks and academia and as a foreign policy adviser to prominent Democrats.

She does have an acknowledged mentor in Mr Brzezinto President Jimmy Carter more combative Mr Berger.



Albright, Lake and Berger: second-term team under spotlight

and a perennial fount of deployed over the last four years as ambassador to the UN. have been more in

Equally, Mr Cohen, the outgoing Republican senator from Maine, knows defence well, as a longstanding member of the Senate's armed services and intelligence committees. But his reputation rests more on a handful of spy novels he has written than learned dissertations on defence theory. The record of the last four

years has revealed Mr Lake and Mr Berger as quintessential self-effacing team players reinctant to make public waves - a habit that may come more naturally to Mr Lake, who has commuted between academia and government for over a quarter ski, national security adviser of a century, than to the

The new NSC chief, a Washington trade lawyer in the 1980s, will bring to the joh a greater background in commercial issues than did

He has been, for example. in the forefront of the annual battles to renew China's most favoured nation trading status. But, more important, both

Mr Lake and Mr Berger, as well as Mr Christopher, have ensured no resurrection of the classic turf battles between the National Security Council and the State Department that marked the tenures of Mr Kissinger (who served in both), Mr Brzezinski and Mr Baker.

This is obviously a modus operandi that appeals to Mr Clinton, not a man who relishes conflicts between pow erful and strong-minded assistants. Mrs Albright cer-tainly has a reputation for being outspoken, with more public abresiveness than Mr Christopher was wont to display, hut she has been conspicuously loyal to her presi-

The fact that she has been tough with the UN and Mr Boutros Boutros Ghali, its secretary general, should ensure few problems with ber nomination in a Senate that took a sharpish turn to the right in last month's

Senator Jesse Helms, chairman of the foreign relations committee and a scourge of the State Department, was particularly pleased with her attack on Cuba after its air force earlier this year had shot down two aircraft carrying anti-Castro activists.

She also has been, in relative terms, a hawk on the Balkans, an inside force

ment of more than 20,000 US troops in Bosnia and the Nato air strikes last year which preceded it.

Mrs Albright is on record as having little truck with the doctrine of "maximum force" developed by former General Colin Powell. This holds that US troop deployment overseas should be confined to those theatres where its military advantage is overwhelming - an approach not easily applica-

The new team, of course. reports to Mr Clinton and to Vice President Al Gore, to grow as he approaches his own presumed bid for the White House in the year

Collegiality, therefore, still rules. It is leavened by experience, not least that of president aware that second terms and historical legacies are more often than not associated with global devel-

However, the Washington foreign policy establishment which has been not so secretly rooting for one of its own, Mr Richard Holbrooke. to take over the State Department hnt would have settled for Mr George Mitchell, is rumbling with dissatisfaction.

It will reverberate for some time - at least until the "great vision" is finally

# enezuela to restructure \$3.9bn debt

The Venezuelan Congress has passed legislation that will allow the government to restructure an estimated

\$3.9hn debt with the central

ministry of finance will issue bonds to replace the old debt, incurred in 1990 when the central bank financed The central bank, In turn,

important step strengthening the central bank at a time when decisive monetary policy is seen as Under the new law; the necessary in the government's attempts to bring down inflation from the current annual 97.4 per cent to a target of less than collateral in a 30 per cent next year.

improve the efficacy of the

Latin American Research at Salomon Brothers in New

Until now the central bank issued its own stabilisation bonds (known as TEMs) and carried the cost of interest payments, thus creating new "It was a vicious circle,"

says Mr Orlando Ochoa, an independent economist. "Each new bond issue had to be larger than the previous

bonds on the market to operations," says Mr because the central bank burden, carry out its monetary Lawrence Goodman, head of simply had no funds."

Criti The problem has been

> revenues in excess of \$2bn balance to lax fiscal policy. have inflated the money central bank to issue even more costly TEMs.

With the new law, TEMs will gradually be phased ont. The financial cost of the new paper issued by the central government, alleviating the

there is the contract property the tell of the

will be able to place the central bank's open-market one to pay the interest bank's growing financial

tightening monetary policy made worse in recent to soak up excess liquidity months as windfall oil should not be a counter-

"Government expenditure supply and forced the bas jumped 80 per cent in nominal terms over last year and the government must be revenue is not simply pumped into the economy. despite political pressure to

**NEWS:** INTERNATIONAL

# Currency trader played China Cheung keeps toot card to entice ethnic investors in the door at a

airbank, the currency trading group under scruting scrutiny from Sweden's Serious Economic Crimes Squad, tax authorities and financial regulators, let little stand in the way of winning the trust of Chlnese-speaking customers. The Chinese characters for

Fairbank, embossed in gold on the front of its Englishlanguage sales brochure, are shong yin, which could be taken to mean zhongguo yin-hang, or Bank of China. Unlike the usual European

pattern for speculative for eign exchange echemes Fairbank dld not rely on cold calling or lists of "leads" to reach potential investors. Instead it targeted a niche market of ethnic Chinese in Sweden, a population of less than 20,000. In this, it followed the

Britisb example of Pagoda, a similar currency scheme pre-viously operated by Mr Dannis Cheung. Fairbank's sole director and shareholder.

Pagoda is being inveeti-gated by the UK Serious Fraud Office and London's Metropolitan Police Fraud Squad over alleged misuse of \$7.5m in investors' funds. Most of its customers were

of kronor, according to police, few have complained publicly, probably to avoid attracting the attention of Swedish tax authorities to undeclared income.

In Fairbank's Stockholm office this week, Mr Cheung chose to be interviewed by telephone from a conference room rather than face to face. "We're simply a broker period of protracted high giving clients access to the foreign exchange spot market. Many of our clients have realised capital gains."

Fairbank recruited memnity in Sweden to act as financial sophistication. sales agents. Some of its traders lost their own money as well as that of customers. bank ran a series of Chinese Dagens Nyheter. Sweden's accounts to gain experience. ation while one or two star leading daily newspaper.



movements of currency.

Fairbank accepted nearly all applicants, offering them a monthly hase salary of SKr4,000 (\$603) and a crash "rolling epot" foreign ents introduced by the man-exchange market. Most of agement itself.

The ads sought entry-level ice traders appeared to realtraders to sell and manage ise easy profit. Hooked, they investments in short-term proceeded to gamble away the savings of friends and relatives they had recruited. A few who tried to leave after exhausting their own money were enticed to stay course in the short term and trade on behalf of cliagement itself.

sands in cash stuffed in staff lawyer, said: "Although envelopes." According to an the Riksbank is responsible official statement made to for authorising forex traders, police by a former employee, it has no supervisory func-Mr Cheung regularly took tion. We have no powers of briefcases of currency from Stockholm to London. One trader recalled: "Dan- ish prosecutor who consid-

nis told us to tell clients that ered the case for several it was better to make their months, planned a trip to lnvestment in cash." London to inquire into Mr although deposits hy cheque

were also acceptable. In February, officials at Handelsbank, the Swedish bank where Fairbank has an account, alerted police to what it considered an irregular movement of SKr2m traders in Stockholm from (\$302,000). At this time, tax visiting Fairbank's London authorities and police received anonymous tips about the company.

Swedish prosecutors have the discretion to refuse to open cases when conviction is not likely to draw a prison eentence. A senior police official commented: "The maximum penalty for trading currency without permission is six monthe' imprisonment, and that would be reduced to a fine". Former staff are reluctant

to speak publicly against

Although Fairbank's Clay Harris, Davrell Roberts Tien and Norma Cohen investors have lost millions investigate the operations of a Swedish foreign exchange company with a London connection

> from mainland China. A thus able to generate comblend of unemployed aca- missions and recover some demics, housewives and restaurant workers, they saw Fairbank as a rare white-collar career opening during a unemployment in Sweden. Mainlanders also see Chinese people whose roots are in Hong Kong - like Mr

Cheung and his senior manbers of the Chinese commu- agers - as having more a killing that day. Less than a fortnight into the course, trainees were Revolution atruggle sesis well as that of customers. told to place SKr50,000 sions," said one former in September 1995, Fair- (\$7,550) of their own money trader. "Those who failed to with the company and to language advertisements in start trading on their own singled out for public humili-

the trainees were originally Unsuccessful traders were of their own losses by churning - or over-trading - the

accounts of new investors. One regular sales technique was to ensure that a trader courting a new client carried a mobile telephone or hieeper so his pitch could be Interrupted with the "news" that he was making

bring in new clients were

Fairbank. They fear they themselves may have violated Swedish tax regulations. Most accepted Fairbank's explanation that since they placed trades by calling London, they were employed in the UK and thus exempt from Swedish Income tax. Public tax records for several people employed full-time by Fairbank show no income tax returns for 1995. Tax authori-"Our company sales meetties have been in contact ings were just like Cultural

with the police. In October, lawyers at the Riksbank, Sweden's central bank, heard an account of Fairbank's activities from a former employee, who pres-Initially, many of the nov- salesmen were praised in

Mr Bo Skarrinder, a Swed-

Cheung's role in Pagoda. When his superiors denied permission for the journey, the case remained in limbo. Mr Cbeung and other senior managers from Hong Kong prevented clients and

holm never revealed their But employees in Stockholm had their suspicions aroused by the London operation. Traders who stayed up all night to follow markets in Tokyo often had to wait 10 to 20 rings before some-one in London answered.

office. London employees

who quoted prices to Stock-

At one point in the spring of 1996 frustrated traders confronted Mr Cheung and demanded to send a delegation to London to see proof that trading was taking place. The leader of the revolt was summarily fired. In July and August, the influx of new clients slowed to a trickle as only the most stubborn investors continued to put in fresh money

after heavy losses. Among the losers, anger often is not directed toward Mr Cheung, who always remained distant from day-to-day trading operations, but towards the traders who solicited funds from friends and relatives. The mother of a former Fairbank trader spoke of violent threats to her son if he

friend's losses.
Out of a sense of honour, several traders have committed to pay clients back by instalment. One former

did not make good a former

# front of everybody and presented with hundreds of thoo-But Mr Gent Jansson, a familiar address

money through Mr Dannis Cheung's Swedish venture have many counterparts in Britain, who fell prey to a aimilar currency trading scheme. Pagoda is being investigated by the UK's Serious Fraud Office and London's Metropolitan Police Fraud Squad over the alleged misuse of \$7.5m in investors' money. Most, but not all, of its customers were

Fairbank gets currency quotes from Pagoda's former premises

also ethnic Chinese. Fairbank and Pagoda shared one striking feature: they both targeted a population which seemed less likely to complain. Some victims may have been illegal aliens, while others, possibly recent immigrants, may have had limited skills in the local language.
Pagoda Currency Manage-

ment Corporation was formed In 1993. Its directors, like Mr Cheung, all had Chi-In January 1995, the company changed its name to

Pagoda Foreign Exchange

(London). Shortly afterwards, police and regulators began to receive complaints. A 28-year-old waiter at a tandoori restaurant in Birmingham reported, for example, that he had been perauaded to invest his life savings of £3,000 (\$4,920) by an employee of Pagoda in Birmingham. Within days, he was informed he had incurred losses and was being pressed for additional

In September 1995,

B efore Fairbank, there was Pagoda. The ethnic Chinese who lost announced that companies offering "rolling spot forex", forward contracts of eeven days or less, which are rolled over, would have to be regu-

> Pagoda informed the Securitles and Futures Authority of its intention to apply for authorisation, hnt it withdrew its application on May Mr Cheung, however, still

had a foot in the SFA's door, and at a familiar address. Currency Exchange Services (CES), whose application to the SFA is still pending, operates from 35 Old Compton Street in Soho, on the fringe of London's Chi-Mr Cheung had previously

listed this as his address in the records of Pagoda Foreign Exchange (London). It was also the address of Straker Promotions, another of Mr Cheung's companies, dissolved in January 1996. Mr Kenneth Yeung, CES director, described as a "matter of coincidence" the fact that his company now occuples the same premises but he is listed in Swedish company records as the "alternate director" of Currency Exchange Stockholm. the official name for Fair-

A Fairbank internal document describes the Soho address as its "administration and back office" and epecifies "no visitors". Mr Yeung is listed as contact.

CES acts as an agent for Fairbank and keeps its records, according to Mr Yeung. It also supplies "Indicated prices" to Fairbank traders calling from Sweden and receives \$5 for each transaction, he said. Mr Yeung said he was

traded with the prices supplied by CES. He added: "Twe been trying to find out myself. I suppose they must

unclear about how Fairbank

Cheung is not involved in **Currency Exchange Services** at all." Nor had Mr Yeung been involved in Pagoda.

Describing Mr Cheung as a

"personal friend", Mr Yeung

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said they had little contact. They had met last month. "We had a drink and that was it," he said. Mr Yeung's wife, Maria, is listed as the only other director of CES hut Mr Kelvin Kwok, a director of Pagoda

Foreign Exchange (South-

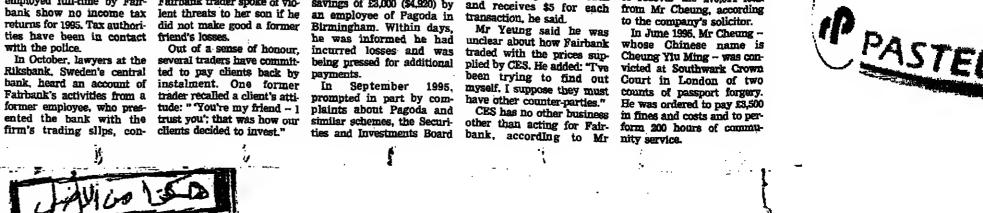
ampton), served as corporate secretary until March. Mr Cheung was also, until March 1996, managing director of Danson Investments, a property investment company. According to the company's accounts for the year to September 3 1995, Mr Cheung entered into "unau-thorised transactions".

said: "During January 1996, [Wendy] Leung [Danson's other directorl became aware of certain transactions entered into by D. Cheung of which W. Leung

'Back office' seeks approval from UK regulator

had no knowledge." In par-ticular, Mr Cheung is said to have taken out a loan from National Westminster Bank in 1992 secured by a property owned by the company in Haymarket, London.

Danson is now attempting to recover the £70,014 loan from Mr Cheung, according to the company's solicitor. In June 1995, Mr Cheung whose Chinese name is Cheung Ylu Ming - was convicted at Southwark Crown Court in London of two counts of passport forgery.





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3.9bn debt

Managers' and technicians' body ready to campaign at Fujitsu and other big investors

# Union pushes for recognition at Siemens

By Chris Tighe

Siemens is about to face a campaign to grant union recognition at its greenfield plant in north-east England, the area of the UK with the greatest success in securing factory investment from

other countries. The union, Manufacturing Science and Finance, said yesterday that if it made a breakthrough at Siemens it would turn attention to Fujitsu of Japan and the £120m (\$196.8m) factory being developed by Interconnection Systems, the UK printed circuit board maker.

recruitment drive among employees of the Siemens semiconductor plant in north Tyneside. "We are seeking to gain recognition because the electronics industry in the north-east is a boom industry," said MSF regional president Mr Boh Bolam.

MSF already has members among the Slemens workforce in North Tyneside, and hopes that if it can sign up more the company will agree to open negotiations on a single union recognition agree-

Siemens other big UK manufac-

managers, will next week launch a deals but these plants are north-east. In spite of the region's operations which the German electronics company acquired with an existing union structure.

The north Tyneside plant, the first phase of a projected £1.1bn investment, is Siemens' first UK greenfield site, and therefore provides a test of the company's stance on unionisation.

Siemens vesterday said the issue had not yet been decided. It added: "There hasn't been any semiconductor inward investor who has set up a union deal in the UK." Persuading Siemens to recognise

success in winning hig inward plant set up by Fujitsu. investments, unions are worried they are losing ground.

In the mid 1980s the Japanese carmaker Nissan signed a single union deal at its Sunderland plant with the AEEU engineering and electrical workers' union. Since then few of the region's inward clear indication it had an "open investors have granted collective representation rights to trade

Plants with no union deal side electronics complex of Korean- Brooke.

owned Samsung and the 2400m County Durham semi-conductor

Mr Larry Brooke, MSF's national secretary for the electronics industry and co-ordinator of the joint union consultative hody which meets Siemens at national levels, said the company at its last meeting with the unions had given a mind" on union recognition.

The unions, including the TGWU and GMBU, will meet Siemens again in the New Year. "In the include two of the region's biggest meantime we, and I guess other investment coups, the £450m Tees- unions, are organising," said Mr

Pound

falls for

running

By Robert Chota

and Simon Kuper

third day

The pound fell for the third

day running yesterday after

Mr Eddie George – governor of the Bank of England, the

UK central bank - damped

market expectations of a

sharp rise in UK interest

Mr George told the House

of Commons Treasury com-

nittee that he saw no

urgent need for a dramatic step" on interest rates. But

he did not rule out the need

for e rise before the general

election which is due by May

The pound was hit by Mr

George's comments and by

profit taking, with many traders seeking to cash in

gains from sterling's recent

surge. Between August and

Tuesday, the pound rose 12

reighted basket of curren

cies. It has since lost e quar-

Currency strategists said

that yesterday's sellers of

sterling included companies

hedging against the rising

pound and big investors who

were holding more of their

assets in sterling than their

The pound closed in Lon-

don yesterday at DM2.530

and \$1.628. Mr George's com-

ments, by reducing expecta-

tions of a rate rise, boosted

short sterling futures con-

tracts. These still point to a

quarter-point base rate rise

later this month although

most economists expect Mr

Kenneth Clarke, chief

finance minister, to wait

The latest monthly survey of retailers from the Confederation of British Industry. the main employers' lohby,

pointed to some slowing in the annual rate of spending

growth last month, although

the underlying trend

remains strong.

before tightening policy.

suggested they should.

guidelines

ter of that gain.

internal

Sterling

### UK NEWS DIGEST

# Suit over bonus at Barings fails

Ms Mary Walz, the former head of equity derivatives trading at Barings, the collapsed merchant banking group, yesterday lost her claim to be pald a £500.000 (\$820,000) bonus she alleged was promised to her hours before the discovery of catastrophic losses. Ms Walz was dismissed after the bank's collapse caused by £830m of derivatives trading losses built up by Mr Nick Leeson. An industrial tribunal ruled that a conversation on the

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afternoon of February 23 1995 between Ms Walz and Mr Andrew Tuckey, deputy chairman of the bank, did not constitute a firm commitment.

Ms Walz is facing a separate action by the Securities and Futures Authority, the City regulator, which is to consider whether she should be banned from working as a manager in an investment bank. Ms Walz said last night that she did not intend to appeal. She had made her claim to isolate what was strictly an employment issue from the complexities of the tragedy of the collapse of Barings", she said. Mr Ian Pritchard-Witts, tribunal chairman, ruled that a slip of paper on which Mr Tuckey had written Ms Wals's name and the figure £500,000 did not constitute a binding contract.

### ■ LONDON STOCK EXCHANGE

### Big provision for restructuring

The London Stock Exchange yesterday disclosed that it had made a big provision - thought to be more than £25m (\$41m) - in the first half of the year to cover the costs of reducing staff and implementing new share trading methods. ods. The exchange disclosed that its first half income rose from £94.8m to £105.5m, while costs dropped slightly to 265.6m from 267.9m. After making its provision and pay-

ing tax, it was left with a surplus of £9.7m.

The exchange also named the chairmen of its new committees that help to formulate policy. Mr lan Salter, of Société Générale, will chair its primary markets committee, and Mr Hector Sants, of Union Bank of Switzerland, will chair a secondary markets committee. John Gapper

### SCANDEX CAPITAL MANAGEMENT

### Winding-up shifts to Denmark

Full responsibility for the winding up of Scandex Capital Management is likely to move to Denmark, ending the role of a provisional liquidator appointed by the High Court in London. Scandex was a Copenhagen-based currency trading company with 600 to 700 customers – many based in the UK – who lost more than £1m (\$1.6m). It is the subject of legal proceedings brought in London by the Securities and Investments Board, the City regulator.

In the High Court yesterday, the hearing of a winding up petition brought by Mr Jeremy Bartholomew-White, Scandex's managing director, was adjourned until January. He had previously given an undertaking to the High Court, at the request of SIB, to seek a winding

### M GENETIC ENGINEERING

### Chefs protest over 'tainted' food

Many of London's leading chefs and restaurateurs protested yesterday at what they consider a threat to the supply of fresh, untainted produce. The chefs were voicing concern at the principle of genetically engineered food and, in particular, the arrival in Europe last week of genetically engineered soya hears from the US. The prod-ucts will not be labelled, and chefs are concerned they will not be labelled, and buying. Nicholas Lander will not know what they are huving. Nicholas Lander Editorial Comment, Page 13

### **■ EDUCATION**

### 'Calculator-free' maths urged

A a return to traditional pre-20th century texts in A level English Literature and the introduction of "calculatorfree" maths papers are among a package of government proposals designed to safeguard standards. A government survey showed "a trade-off of hreadth for depth" leading to a reduced emphasis on basic skills like spelling, punctuation, grammar and mental arithmetic. Universities choose students on the basis of their results in A level exams at school. Simon Torgett



### ■ CIGARETTES

### Number of smokers dwindles

Britain'e smokers are giving up in their thousands, according to research by retail consultants Verdict. Today just 27 per cent of the UK population smokes, compared with 45 per cent in 1974. Although more women are smoking than ever before, growing concern over bealth risks and the sharp rise in the tax on cigarettes has depressed the overall market for tobacco. Over the last five years tobacco doty has increased by 40 per cent, and now accounts for 78 per cent of the price of a packet of 30 ciga-

### Currencies, Page 25

# Unattractive package may be improved

A state parcels business sold for £1 is due to make a £1m profit

state-owned silvanta Rail's heavily lossmaking parcels business, will be an early test of whether the private sector can make money where a blg publicly-owned corporation failed. Mr John Holmes, wbo led a management huy-out of the company, is trying to revitalise the business be acquired for a nominal £1 13 months ago.

He has a strong brand name which has survived several years of decline and retrenchment. He also has a nnique seven-year contract transferred from BR to the privatised railway companies to use their trains for his parcels. This gives him a strong position at the premium end of the market for same day deliveries.

But against Mr Holmes is ranged an array of much ing staff numbers from bigger rivals, snch as the state-owned Royal Mail's sector TNT and Parceline. tain an expensive network All three have the financial on a narrow business base.

ed Star, formerly the muscle denied a heavily state-owned British extended huy-ont company. Financing the depot network and the information technology systems to provide the level of service which the customer now demands is a tall order for a niche player sncb as Red

> BR's attempts to create a saleable business led it to jettison Red Star's slower services - for next day 12h00 and 15h30 delivery to concentrate on the company's areas of strength same day and next day 09h00 delivery.

This cut turnover from

£43m (\$70.5m) in 1993 to £20m in the year before the buy-ont - though losses were still £9m at that stage. But even though a drastic cost-reduction programme was implemented - reducnearly 1,300 to just 420 now - Red Star's new managers are still attempting to main-



Moving forward: Red Star has a strong brand and a unique deal with train companies

Star's niche is big enough to sustain it," says Mr Paul Jackson, chief executive of Triangle Management Services, an industry consultancy. "It needs other products but this takes it into markets which are very competitive and where prices are coming down." Mr Holmes is now reintroducing the services dropped by BR. He is also

ing good franchisees is

expanding into specialist areas such as stockpiling and supplying parts for ser-He is moving as fast as he and delivery services. He has found franchisees for 18 areas and, although select-

"I question whether Red time-consuming, bopes to this has been reversed. Red find 60 more by the end of

Red Star's own employees will provide head office services and operate the computerised "track and trace" system, keeping customers in touch with their parcels. While BR met the redundancy costs needed to create

a saleable business, the present management has had to sort out the problems caused by the terms and conditions of employment which it inherited. Rates of pay have been cut but Red Star's payroll costs are still can to franchise out counter higher than those of its rivals, says Mr Holmes.

The first few months after the buy-out were marked by a continuing shrinkage but

Star made its first "modest" monthly net profit in Octo-ber. It is on target to reduce the annual loss to £3m this year and expects to make a

net profit of £1m on proj-

ected turnover of £22m in

He believes that a private sector management can succeed where BR struggled because it has brought a more commercial approach to what was a marginal business. But Mr Holmes still has to show that he has the answer to the problems which dissnaded many of the higger parcels groups from bidding for Red Star

Charles Batchelor

# Protestants slam attacks | Move to reassure on Catholic worshippers

By John Murray Brown in Dublin

Leading anti-nationalist polltleians in Northern Ireland are this weekend set to stand alongside the parishloners of a Roman Catholic church which has been the target for two months of a weekly picket by Protestant militants.

in Harryville bas become the focus for a dispute over rights to march. The politicians have taken a stand after a nearby Catholic school was firebomhed on Wednesday and petrol bombs were thrown into two Catholic families' homes .

Violence was triggered in the summer as police forced road ahead of a march by members of the Protestant Orange Order in Drumcree.

sign of a Protestant split. Mr Ian Paisley jr, son of the leader of the hardline Democratic Unionist party, dismissed as a "stunt" the announcement that Mr David Ervine, Progressive Unionist party leader, would stand alongside Catholics at Harryville in support of the Roman Catholic parishloncrs. Mr Ervine's party is the political wing of the outlawed Protestant Ulster Volunteer Force.

A survey published yesterday by the Police Authority of Northern Ireland showed low Catholic confidence in the security services. Some

helieved the Royal Ulster Constabulary, the region's police force, should he reformed or replaced. Mr Pat Yesterday saw the first Armstrong, police authority chairman, said he was "saddened but not surprised by

the results. About 10,000 vehicles a day are expected to he diverted or discouraged from entering London's financial centre under a scheme approved yesterday by the City's municipal anthority, Jimmy Burns writes.

Councillors supported enlargement of the ring of road closures and anti-terrorist checkpoints in the City. Traffic restrictions were set up after the Bishopsgate bombing by the Irisb Republican Army in that has affected PFI in the

# hospital investors

By Mark Suzman, Social Affairs Correspondent

Finance Initiative (PFI) in the state health service by providing written assurances on funding for the first hospital projects.

The unusual step le intended to meet concerns from lenders that the government might not meet the liabilities of hospital trusts local bospital administrations - in the event of their failure to meet payments. The PFI aims to attract private funding to many kinds of public project.

Mr Dorrell hopes the move will belp to break the logism

Over the past year, 23 hospital PFI schemes worth over £20m (\$32.8m) have Mr Stepben Dorrall, chief named approved privetehealth minister, aims to res- sector hidders, six have cue the troubled Private received Treasury approval and two have reached commercial agreement. But no final contracts have been signed because banks are not yet convinced they have

adequate security. The problem arises out of the decentralised structure of the health service after reforms in 1991. PFI deals now have to be negotiated hetween hidding consortia and individual trusts, rather than the government.

Lenders are concarned that the government could avoid heving to meet a defunct trust's ontstanding Habilities by refusing to dis-

# chief suggests deal with Murdoch

By Liam Halligan and Raymond Snoddy

BBC executives yesterday told a House of Commons committee that the corporation could not launch digital satellite services without using British Sky Broadcasting receiving equipment, but suggested that a deal might be possible. The BBC is the national public service broadcaster and BSkyB is the satelMurdoch's media conglomerate is the biggest stakeholder.

The BBC has been trying to persaade the government to ensure "fair and reasonable" access to digital set-top boxes needed to receive up to 200 digital television channels planned for next year.

Giving evidence to the heritage committee, Mr John Birt, BBC

lite television in which Mr Rupert the de facto reality that Sky are the pioneers in this area. The only way we can provide digital satellite services is through Sky's set-top decoder boxes.

> Sir Christopher Bland, BBC chairman, said: "I would call Mr Murdoch extremely clever and extremely powerful. It may be possible to negotiate a deal with him." Be added that such a deal would

regulatory structure established by the government". Mr Birt added: "It would be in the interests of the consumer if all satellite systems were launched using a common technology."

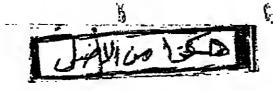
BSkyB yesterday welcomed the BBC's comments. It said it was willing to licence its technology and wanted a deal with the BBC to ensure its new channels would be director-general, said: "We accept have to be within "an appropriate part of the new digital package.

Mr George assured MPs that, although the simultaneous strength of consumer demand and sterling in recent weeks was reminiscent of the 1980s boom, the upturn showed nothing like the intensity that had been experienced then.

A FENCE



The MACALLAN RANKS AS ONE OF MAN'S MORE ENDURING ACCOMPLISHMENTS AND, IN PACIFYING THE MOST DEMANDING PALATES, IT STANDS



to assess, as for legal

Or they are found where

people care about the

quality of the goods

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And that is the

mechanism by which names

turn into brands. No doubt

Mr Linklater and Mr Paine

were fine lawyers in theb

realised that they could

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the coattails of Mr Linklater

And Mr Linklater and Mr

Paine themselves could

make a turn by aelling out

the services of such lawyers

for more than they had to

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enabled the reputation of

Mr Linklater and Mr Paine

to outlive the individuals

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Lawa of England, not so

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of Lord Halsbury, who has

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In the same way, the

Financial Times has an

incentive to maintain the

quality and reliability of the

material which appears on

And John Kay has an

incentive to keep np the

standard of his columns.

That way, he might turn a

John Kay is the chairman of

London Economics and

director of the School of

name into a brand.

A solicitor can turn with

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its pages.

Even for a five-year-old, that

can get pretty tiresome.

oody the cow-

boy, a Walt Dis-

ney toy based on the phenom-

While the film Tou Story used dazzling computer technology to work its magic. kids' products based on the movie seem mired in the dark ages. The only important change in talking toys since the 1960s is that they are sometimes activated with buttons rather than strings - a pethetically small step considering the technological advances of paat

A new project at the Massachusetts Institute of Technology's Media Laboratory. however, is trying to bring toys into the age of multime-dia. Researchers Rob Poor and Manish Puteja are using wireless technology and the Internet to expand the vocabulary and interactivity of toys like Woody.

Unlike the off-the-sbelf Woody, the Media Laboratory's cowboy greets people by name, introduces them to each other, announces the time when a clock comes into view, and offers an expanded repertoire of sayings, such as "Got a dime for a cup of coffee?"

The possibilities, say Poor and Tuteja, are endless. "By being programmed over the Internet, Woody can sing Happy Birthday To You on a kid's birthday, read books, and tell a child it's bedtime," says Poor. The technology applies to moving toys as well. A doll that crawls one day could be made to walk the next.

same capability as a sophisticated computer.

Yet complex computers as toys are not very practical. For one thing, they would weigh at least as much as a bowling ball - not the sort of thing a child usually drags into bed. Another problem is

TECHNOLOGY

# at play

Victoria Griffith on toys with interactive improvements

ter bow eotertaining it is. converses with fellow Tou The Internet, bowever, has the potential to change the cost and weight dynamics. Using wireless technology, a plaything can be geared to broadcast information channeled through the personal computer. Under this model, most of the computer power is contained in a remote location that processes information for thousands of customers. The toy is turned into a digital radio. lightweight, low-cost, and, if welldesigned, extremely amus-

The toys become further personalised through the use of cheap identification codes attached to people and objects. Through the use of simple digital tags, the Media Laboratory's Woody Few parents are willing to signals. He introduces his it may be partly because of to put a smile on many

Story character Buzz Lightyear. If a guest wears a special name tag. Woody will even make introductions to

Despite the ready technology, toy companies are oot racing to get such products to the sbops. Walt Disney. one of the main sponsors of the project, says it has oo plans to use the research

One reasoo for the reluctance may be problems in pricing. "Sometimes 1 see what they're doing with the Internet toys at the Media Laboratory and think - wby isn't someone making these?" says David Morgan, vice-president of technical assessment for the multimedia division of Motorola, a responds to a bost of sponsor of the project. "But ers would pay for the service.

It is uncertaio, for instance, whether consumers should pay for the Internet programming unfront when they purchase a toy, or whether they should pay a moothly service based on

"You need to pull together a lot of elements here: someone to organise the websites that would programme the toys, a service to broadcast the programming, and the toy itself," says Morgan.

Other practical difficulties exist. To programme a wireless toy through the personal computer, for instance, the customer would have to be hooked up to the Internet all the time. That could generate some large service and electricity bills. Another solutioo - hooking up the plaything by wire to a modem, and downloading information periodically may be more workable, but would require the toy to hold more memory - resurrecting cost and weight prob-

As a provider of wireless tecboology, Motorola believes it can help solve the problem. "The signals don't have to come through the computer: they could come over the telephone wire, the television cable, or a tiny box in the corner of the room." says Tuteja. The box in the corner could, in the ory, be provided by Moto-

In the long run, Morgan is convinced the technology can be put to good use, not just for toys, but for all sorts of household objects, "Motorola is interested in this for programming everything in the bouse," says Morgan. "It could get the toaster oven to turn on at a certain time, or cause bousehold clocks to change automatically when

daylight savings time ends." Researchers at the Media Laboratory are convinced their technology will sooo be commercially available. "It fust takes one company to decide there's a market bere," says Poor. "The technology is already do-able."

This Christmas, bowever, children will have to be bappy with a speecbchallenged Woody. That's not so bad. When the Disney cowboy screams "Yee Haw!". be may not be at the cutting edge, but he's bound pay \$3,000 for a toy, no mat- friend Mort the penguin and confusion over bow consum- young faces.



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Cover bonus

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What's in a name Branded goods send signs to consumers about the value

What is a brand? A rose by othar name. Sbakespeare pointed out, would smell as sweet. There is a difference between a that value? Why would name and a brand.

You are reading an article by John Kay. But John Kay makes the transition from name on the masthead to brand only when attaching it to the conteots persuades you to read the article, or pay attention to it - and if you would ignore the same piece if it appeared uoder aomeone else's name. Once that happens but only when that happens I have a brand with a

You will not admire the scent of a stinging nettle because I label it a rose, and that is why rose is a statamenta description of a fine product, rather than a brand.

You use electricity light bulb, not because It called electricity: you go to Eustoo Station because that is where the trains for Birmingham and Manchester are, not because it is Eustoo Station Roses, electricity and Euston Station all have values, but not brand values.

A brand is worth more thao a functionally equivalent product. You pay far more for a bottle of Chanel No 5 than for a bottle of liquid whose smell is indistinguishable.

And that is what makes clear to us that roses. electricity and Euston are not brands. No sensible person would shell out their cash to be allowed to describe a nettla as a rose, to label coal as solid electricity, or to call a bus depot Euston Station.

But you would like to be able to call your fizzy soft drink Coca Cola, to offer legal advice under the brand name of Linklaters and Paines, and to put up a Hertz sign outside your car hire agency. People can and do pay money for

and quality of the product that another name may not access to these brands. value eroded when people quality is important to The brand adds value even use the signal in misleading consumers but is not easy

if the product is unchanged. So what gives a brand people pay more when they can get the same for less? Most often, marketeers will tell us, because they do not think it is the same.

You feel seductive when you splash on Chanel No 5, but you will never derive the same confidence from a whiff of anonymous scent, even if you would need a trained perfumier to tell the

Perhaps. Perfume is certainly a commodity that appeals to irrational instincts. And there are goods where the brand encourages people to make about themselves to others. I am irresistible, I say, as I put on my designer fragrance. I am a merchant banker, I say, as because it illuminates your I climb out of my BMW: I am a juvenila lout, I say, as I down a glass of extra-strong lager. I am handsome, I say, as I don my Levi's jeans.

Some brands are of this kind. Mostly, these brands apply to commodities such as clothes, drinks, cars and cigarettes, which you consume consciously in tbe presance of other

And as with any signal. the brand as signal has its I am irresistible, I say, as I spray my designer fragrance. I am a merchant banker, I say, as I

climb out of my BMW. I am handsome, I say,

as I don my Levi's

**PUBLIC NOTICES** 

Since the shop will sell

you Levi's whether you are handsome or not, the illusion that you will be handsome if you wear them is hard to sustain.

To survive, the brand as signal has to remain triends, as for toilet paper, exclusive, either because not everyons wishes to give the signal - football fans drink extra-strength lagers, the Queen Mother does not - or because the signal keeps people out by virtue of its expense. The most enduring of such brands are symbols of affluence, such as Rolls Royce and Moët et

Chandon. But while you certainly need to be affluent to enjoy the services of a City law firm, not many people use Linklaters & Paines in the hope that their friends will be impressed when they see them coming out of their offices. Or hire a Hertz car in order to display tha discreet No 1 logo in the rear windows of their Fiat

You go to Linklaters because you think you will get good advice. You hire from Hertz because you don't expect that the car will break down and you know that Hertz will fix it if

The most important function of brands is quality certification. Other lawyers may give you equally good advice, but you can't be sure. Other companies may rent reliable cars, but when you visit a foreign city for the first time, how do you know?

For goods where it is difficult for consumers to judge quality for themselves, the reputation associated with a powerful brand may have considerable value. Most of the brands that command large prica premiums are of

They are found in Management Studies at industries where product Oxford University

The technological knowhow to make toys a lot more interesting has been around for some time, any plaything can be equipped with the

### PROPOSED MODIFICATIONS OF THE LICENCE OF MERCURY COMMUNICATIONS LIMITED (MERCURY)

1 The Director General of Telecommunications (the "Director"), in accordance with section 12(2) of the Telecommunications Act 1984 (the "Act"), hereby gives notice that he proposes to make modifications to the licence granted to Mercury Communications Limited on 5 November 1984 (the "Mercury Licence").

2 The principal modifications which the Director proposes to make are described in the Schedule below. The Director also proposes to make a number of minor and consequential modifications for the purposes of the principal proposed modifications.

3 These modifications constitute the second phase of the modifications to Mercury's licence on which OFTEL consulted in December 1995 in "A Review of Mercury Communications Limited's Telecommunications Act Licence". The Director proposes to make the modifications described in the Schedule to: reduce the burden of certain obligations which apply to Mercury in the domestic market, because they are not appropriate to a non-dominant operator, modify Mercury's obligations in relation to its international operations so that they ere appropriate in the context of international liberalisation and Mercury's market position in the international market; introduce the Fair Trading Condition into Mercury's ficence to ensure that the Director has edequate powers to deal with anticompetitive behaviour in the UK's liberalised and increasingly competitive relecommunications market; and remove certain conditions in Mercury's licence which are now obsolete or unnecessary because of the introduction of the Fair Trading Condition. The Director also proposes that at the same time as these modifications are made, he will determine Mercury to be a Well Established Operator In the International market. Mercury will therefore continue to have an obligation to publish international retail prices.

- 4 The Director is required by section (2(2) of the Act to consider any representations or objections which are duly made and not withdrawn. Following consultation and Mercury's agreement with them, the Director proposes to make the modifications forthwith.
- 5 The consultation procedure comprises two stages. In the first stage, representations on or objections to the proposed modifications may be made to David Navior, OFTEL, 50 Ludgate Hill, London EC4M 7]] (telephone 0171 634 8708) no later than 6 January 1997.

Any confidential material should be clearly marked as such and separated out into e confidential annex. All representations or objections received by OFTEL with the exception of material marked confidential, will be made available for inspection in OFTEL's library. Comments on this document (if they are relatively short) can also be sent to OFTEL at the following e-mail address; press.office.ofcel@gtnet.gov.tik

6 In the second stage of consultation, interested parties are invited to send comments to OFTEL, no later than 21 January 1997 on the representations and objections received in the first stage. Copies of the proposed modifications can be obtained from David O'Neill at the above address (telephone 0171 634 8861).

Proposed principal modifications of conditions of the Mercury licence.

It is proposed to make the following modifications:

Inland Operations The replacement of Mercury's service obligation under Condition | (Installation of Applicable Systems and provision of Telecommunication Services) by the standard service obligation applied to all public relecommunication operators having e 'slimline' licence. It will apply however only in relation to the provision of inland relecommunication services. Condition 4 of

Mercury's licence, which imposes an obligation in relation to the provision of international services will remain unchanged.

International Operations 2 The introduction of a condition entitled "The

Maintenance of Effective Competition where the Licensee Operates a System or Provides Service

3 The replacement of Condition 44 (Other Arrangements for International Services). This condition will be replaced by a condition dealing with arrangements for proportionate return and a condition dealing with arrangements for accounting in respect of International Connection Services.

Both these conditions are the same as the conditions which appear in the draft International Facilities Licence, on which DTI is currently consulting.

Inland and International Operations 4 The replacement of Mercury's publication obligation under Condition 15 (Publication of Charges, Terms and Conditions to be Applied) by a publication condition which is modelled on the publication condition in the draft International Facilities Licence, aithough modified to take account of Mercury's integrated domestic and international operations.

5 The insertion of the Fair Trading Condition (this also replicates the condition in the draft International Facilities Licence).

Deletion of Obsolete and Unnecessary Conditions 6 The following shall also be deleted from Mercury's licence: Condition 24 (Arbitration of Disputes with Customers), Condition 31 (Prohibition of Linked Sales), Condition 33 (Requirement to Provide Itemised Information), paragraphs 2 to 5 of Condition 42 (Private Circuits).

**CONTRACTS & TENDERS** 

### PALESTINE TELECOMMUNICATIONS COMPANY LTD

Open Invitation to Tenders For the Construction of Palestine GSM Network (With an Option For Equity Purchase) Tender No. 1/96

On November 15, 1996, the Ministry of Post and Telecommunications (MoPT) granted Palestine Telecommunication Co. (PALTEL) a twenty (20) year license renewable for additional periods of twenty (20) years to establish, operate, own, manage, invest in telecommunications networks and provide telecommunications services in the Palestinian Authority Areas. The license authorises PALTEL to provide mobile services exclusively for five (5) years or until reaching 120,000 lines.

PALTEL would like to invite international companies to submit a proposal with a turnkey solution for the design, supply, installation, commissioning and project management of Palestine GSM Network with an option for purchasing an equity share in PALTEL's Mobile

The Request for Proposal (RFP) documents, including technical specifications can be obtained from PALTEL's head office in exchange for US\$ 10,000 in the form of a certified check from a recognised international bank from 08:30 to 13:30 Monday December 9, 1996 through Monday December 16, 1996.

The proposals shall be submitted to PALTEL's head office in accordance with the delivery procedures set forth in the RFP documents, along with a bank guarantee for the amount of US\$500.000 no later than 13:00 on Wednesday February 5, 1997.

Only qualified Proposers with extensive international experience in planning, design, engineering, supply, installation and commissioning of mobile telecommunications networks will be considered.

> Abdel Hadj Building, Al-Adel Street Nablus, Palestine Tel: +972-9-376-225 Fax: +972-9-376-227

> > The Financial Times plans to publish a Survey on

# **European Design**

Monday, February 3 1997

For further information on advertising please contact:

Derek van Tienen or Sally Beynon Tel: 44 (0) 1233 833 300 Fax: 44 (0) 1223 833 332

FT Surveys

cranes are to start work

around the middle of next

year on what is to be the

world's longest building.

L8km over the River Klang

through the centre of the

where scuba divers will glide

climbing will be on offer,

be piped among the rocker-

tion called "nature world".

malls and recreation centres

are planned for Gizaworld's

KL Linear City, the company

which has won a govern-

ment concession to make the

Mr Chew is convinced that

the building will provoke the

advent of a new lifestyle,

with people demanding that

their workplaces combine

with the efficiency of the

modern office and the conve-

Mahathir Mohamad, the

prime minister, firmly sup-

ports the project, but he

made it clear recently that the financial risk for Giga-

world will rest squarely on

the shareholders of KL Lin-

ear City and whoever

emerges over the next few

months as the project's

The first phase of Giga-

world is expected to be com-

pleted by 1999 - when all

main sectors of Kuala Lum-

pur's property market are

expected to be suffering from

Kuala Lumpur property

analysis predict a plethora of problems in the office,

retail and hotel sectors from

next year. The situation is

being caused partly by the

government's desire to make

the capital a showcase for

financial backer.

nience of e shopping mall.

project a reality.

bright and airy precincts.

in Kuala Lumpur.

### LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS D.J. POWER FCA & D. SWADEN FCA

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Offers are invited for the assets and business of the above Company Installation and support of computer systems Specialist networking, CAD and accounting software divisions Annual turnover in excess of £3m ● Extensive maintenance and support contracts Modern and fully equipped leasehold premises in Leyland, Lancashire

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For further information contact:

The Joint Administrative Receiver, Julian Whale, KPMG, 1 The Embankment, Neville Street, Leeds LS1 4DW. Tel: 0113 231 3000, Fax: 0113 231 3183.

### LICENSED TRAVEL AGENCY

seeks corporate, possible majority shareholder with own travel account to add to a £5/£6m t/o base.

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The Administrator offers for sale the business and assets of Avorthouse Glass (Ebbw Vale) Limited Class Scaled Unit munufacturing plant.

pover for 1997 - £| 5m

or further information contact E.J. Stonburg, Leach Bright & Partners, Cor. euandra Terrace, Guildford, Sarrey, GU1 3UD lephone 01483 301875 Facsumile 01483 31306

### LEGAL NOTICES

THE REGOVENCY ACT 1906
EURO PORPERHOUSE LIMITED
COMPANY NUMBER 2783492
ACDIC 6 HERRY CAPE paraset to Section 91 of the
regions Act 1906 that a Newley of Creditors will be
held at thebase Blodes, 180 Cay Road, London ECIV
244 on Findey, 13th December 1976 at 11.30m for the
and in Sections 92, NO and 101 of the

AC, Notes withing his onto at the meeting must lodge a v, together warn a statement of their skeld, at the st of Enham Rhodes, 186 City Road, Lundus ECTV I not later than 1,200 boxes noon no Thursday 12 December 1996.
A list of the names and addresses of the company's oredness and he available for supercism, from of charge, as the offices of Robots Roodes, 106 Cop Road, London EC, IV 2002 on Weednesday 11 and Threstoly 12 December 1996 nesseem the boars of 1000 and 1600.

### To Advertise Your Legal Notices

Please contact Melanie Miles on Tel: +44 0171 873

Fax: ±44 0171 873 3064

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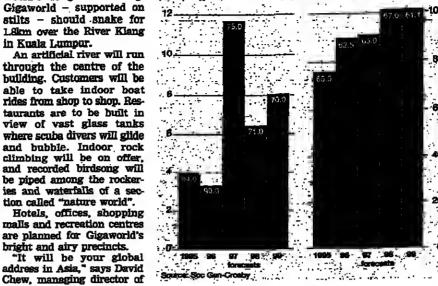
### THE PROPERTY MARKET

Malaysia will soon have a glut of space, says James Kynge

Mushroom inanciers willing, one of the most world'e most extraordinary buildgrowth ings will take shape in Malaysia in a few months. Near the world's tallest office blocks, the Petronas towers, earthmovers and

Kuala Lumpur: vacancies grow

Supply of office space so ft (m) - Hotel rooms available (1000s) occupancy rates in each bar (%) occupancy rates in each bar (%):



the Commonwealth Games in September 1998. Paradoxically, many analysts believe that prestige projects such as Gigaworld will be immune from the worst of the shakedown.

roc. Soc Gen-Crosby :

"It is unlikely to be prethe tranquillity of nature mier commercial space such as that offered by the KLCC [Petronas towers] which takes the brunt of any property downturn," says Dominic Armstrong, head of research at Pesaka Jardine Fleming, "The downturn is likely to be felt among second or third-tier properties as companies leave them to move into intelligent build-

ings," he says. The twin tower, 88-storey KLCC, which by most yardsticks is considered taller than Chicago's Sears building, is expected to put about 4m sq ft of space on the market when it is completed in the second half of next year. That will contribute significantly to overall new supply of 11.7m so ft in and around the capital next year, bringing total office space to an estimated 51,9m. Brokerage

house analysts predict

another 6.5m in 1998 and

8.08m in 1999.

The resulting glnt will reduce occupancy rates from today's 90 per cent to about 75 per cent next year and 70 per cent in 1999, property company analyste say. Prices at prime sites are expected to hold up. KLCC has not yet announced its rental rates but market analysts say it could charge as

much as M\$15 a sq ft, compared with e current Class A average of M\$5.50 to M\$7 a The KLCC will nut be allowed to stand empty. It is e national project. Companies wanting to gain favour with the government will do their 'national service' and

who declines to be named. he situation is, if anything, even more bleak for hotels. About 38 hotels are scheduled to be completed by the time the Kuala Lumpur is expected to increase from about 76,000 last year to 101,000 in 1998. Occupancy rates in 1998 are mainly because of the games, but could fall to 61 per cent in 1999, property analysts sav.

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There is already a chronic shortage of qualified staff. More immigrant workers from Indonesia, the Philippines and other countries in the region are likely to be brought in to serve the new hotels. Qualified staff will be able to demand wage increases of ebout 15 per cent, in a country where inflation is steady et just over 3 per cent. While lower occupancy and stiffer competition could lead to a fall in room charges, hotels are likely to see their profit margins squeezed by wages rising faster than productivity.

In retail the outlook is little different. Already Malaysians are spoilt for choice as new shopping malls mush-room all over the capital. But available retail space is expected to swell from about 15.6m sq ft at the end of this year to 32m sq ft at the end of 1998. Several big names such as Isetan, the Japanese retailer, have rented space only to close down soon after. Generally, there is a drift to the better known malls such as Starhill and Lot 10, owned by Taiping Consolidated, while smaller and more remote shopping

centres suffer. But in spite of all the doomseying, vacant land prices do not appear to have been hlt. Vecant land in prime areas of Kuala Lumpur goes for between M\$700 and M\$900 a sq ft and the price has been relatively sta-

Sometimes, however, there are surprises. Melaysian Resources Corporation recently sold 3.14 acres of land for commercial development at an attractive prime site for e record M\$1,000 a sq ft. "It is difficult to underrent space," says an analyst stand such a price in the current climate," says one property company executive. But whether the predicted

oversupply translates into a market crash will depend on several factors, especially the country's economic growth rate. If there is a Commonwealth Games start. crash, analysts say, it is The supply of rooms in unlikely to have Japanesestyle implications. Only 27 per cent of bank lending is to the property sector and relatively few listed compaexpected to be relatively nies are dependent on propbuoyant et 67 per cent, erty holdings.

### COMMERCIAL PROPERTY

# Exciting Development Opportunity , THE SOUTH WATERFRONT HOBOKEN, NEW JERSEY

### **REQUEST FOR QUALIFICATIONS AND PROPOSALS**

The City of Hoboken, in partnership with The Port Authority of New York & New Jersey, is seeking proposets for the lease and development of Blocks B and C at The South Waterfront, e dynamic, new mixed-use project new rising along the Hudson River in Hoboken, New Jersey. These two blocks represent the snal phase of development at the site.

Blocks B and C will include approximately 1.6 million square feet of office, hotel, residential and ancitary retail space. Proposals may be made for all or part of each of these blocks. A developer has been signed to construct over one million square feet of office space on Block A.

The South Waterfront features magnificant views of the Manhattan skyline, unparalleled transportation access, proximity to major business and residential centers, and over 500,000 square feet of public parks and recreational areas. A major financial commitment for infrastructure development is in place. Local, state and federal permits have been approved for all planned uses.

To request an information package ancior a copy of the Request forCualifications Request for Proposals (RPC/RIFP) package detailing the development plan and the submission procedure, please call Mr. Robert Drashett, Director, Office of Waterfront Development, City of Hobolten at 201-420-2208 or fax to 201-420-2038. The cost for the RPC/RIFP package is \$500. Completed proposals must be submitted to Mr. Drashelf by April 7, 1997.



### COOKE & ARKWRIGHT CHARTERED SURVEYORS

### On Behalf of The Coal Authority PWLL DU SITE **BLAENAVON, SOUTH WALES**

- · An area which may offer potential for opencast coal mining subject to planning permission and other relevant licences/consents being obtained.
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◆ Total area of surface land approximately

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- Further details available from Cooke & Arkwright, 92 Park Street, Bridgend, CF31 4BD Contact Roderick Perrons

TEL: 01656 655051

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LARGE INDUSTRIAL ESTATES

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FINANCIAL TIMES
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### La Compagnie Touristique Arabe "C.T.A." is putting on sale the REGENCY HOTEL 5\*\*\*\*\* -

400 beds - situated In Cap Marina Monistir -Tunisia. Interested parties may obtain the relevant files

INTERNATIONAL TENDER FOR THE SALE OF

**HOTEL REGENCY** 

**MONASTIR - TUNISIA** 

from the Head Office of C.T.A. at 12, Rue de Hollande - 1000 TUNIS •Tel: (216.1) 350.695 -Fax: (216.1) 342.407

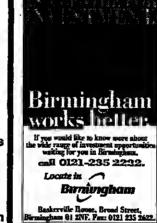
 The outer envelope should bear the mention "DO NOT OPEN" - International tender for the sale of Hotel REGENCY - Monistir, and should be addressed to:

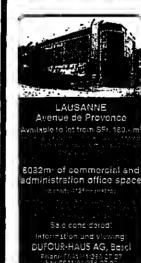
Mr. le Président Directeur Général de la Compagnie Touristique Arabe 12, rue de Hollande - 1000 TUNIS - TUNISIA

b) The inner envelope should be sealed and should contain the documents relevant to the International tender mentioned in the specifications.

The final date for the receipt for the tenders has been set for January the 20th 1997.

(The seal for the C.T.A. Bureau d'Ordre or the Post Office seal is proof of date).







### 45 THAMES ROAD, BARKING EXCELLENT MODERN MANUFACTURING PREMISES

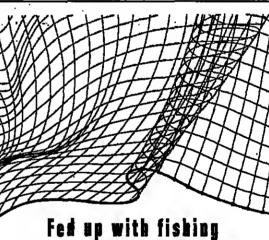
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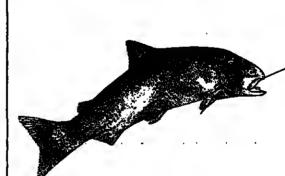


Cromwell Road, SW7 Office Headquarters

> 8,630 sq ft Freehold For Sale With Vacant Possession

All Enquiries: Trevor Racke Moss & Partners Tel: 0171 629 9933





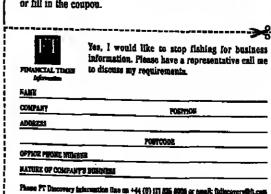
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he Tate Gallery in London is

to open on Sunday mornings from February. This should

prevent the depressing specta-

cle of the gallery closing its doors on

Sunday afternoons because the crush of people makes viewing impossible.

The Sunday opening is part of the celebration of the Tate's centenary

year. The gallery, the gift of Sir Henry

Tate, opened in July 1897. Next July

there will be show of Sir Henry's other

benefaction, his collection of 67 works

Lyle, the first time the sugar company

bas sponsored an exhibition at the

Although the Tate attracts between

£1.5m-£2m e year from sponsors, 1997

will be a relatively quiet year for cor-

different. In the eutumn Morgan Stan-

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### AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-6718345 Arabella: by R. Strauss. by the Radio Filharmonisch Orkest and the Groot Omroepkoor. Soloists include Susanna Waleson. mezzo-soprano Jard van Nes, baritones Henk Smit and Wolfgang Schöne, and bassas Huub Claessens and Julian Hartman; 2pm; Dec 7

### BERLIN

DANCE Deutsche Oper Beriin Tel: 49-30-3438401 Ballett der Deutsche Oper Berlin: perform Jiri Kylian's Dream Time to music by Takemitsu, Somewhat Elevated to music by

### **ARTS**

Sponsorship/Antony Thorncroft

# Sweetener for the Tate

profile and entertaining clients and prospective clients. The involvement will cost around £500,000 m total.

of art. It will be sponsored by Tate & Earlier in 1998 tha Tate will be mounting a Bonnard show which will mark its third mega-spousorship deal with Ernst & Young, The consultants invested £1m in both the Picasso and Cézanne exhibitions, and was so happy porate support. But 1998 will be very with the results that the company is coming back for more. Also in 1998 ley embarks on its first major arts Ernst & Young is sponsoring the big sponsorship, supporting e major exhi-bition of the work of the Angio-Ameri-Monet show at the Royal Academy: without doubt it will be the largest can portrait painter and landscape art- supporter of the arts in the UK that

In the past the merchant bank has Ernst & Young is also the first comsupported community and educational pany to commit itself to the Tate Galprojects in east London - it is now the lery of Modern Art on Bankside. It is biggest employer in Docklands - nota-bly the Spitalfields Festival with paying the running costs of the visitors' centre which has opened on the

£10,000 a year. Now it is going for the site to keep locals and tourists mer finance director of Pearson and big time, with the aim of raising its informed about the progress of the now chairman of the Museums and remembered by her children, William the Royal College of Art and, on the conversion of the old power station into a £130m gallery. The cost to Ernst & Young will comfortably exceed £100,000 by the time the gallery opens in May 2000.

> Arts sponsorship coverage tends to be about companies; it should be about individuals. For it is individuals with a passion for the arts who more often than not sway their doubting colleagues in business to go for it, and back the arts.

Once a year individuals are honoured with the Goodman and Carrett Awards, named after the two men, the late Lord Goodman and James Garrett. who virtually created the Association for Business Sponsorship of the Arts. The 1996 Goodman Award for an arts volunteer went to James Joll, the for-

Galleries Commission, who was behind many major Pearson sponsorships culminating in this year's William Morris show at the Victoria & Albert of a chantry than a series. The young Museum. The Garrett Award to a sponsorship professional went to Susan Jones, who has turned Manchester Airport into one of the largest and most imaginativa sponsors in the UK - as well as a successful airport.

Staying with individuals, Belle Shenkman was one of the great characters of arts sponsorship, as famous for ber exquisitely arranged parties after events as for the events themselves. She persuaded such tough individuals as John Egan of Jaguar to sponsor the arts and was just as active promoting tours to the UK of the arts companies

She died last year and is being and Dasha, in a series of free evening concerts at the Netional Gallery. But the Belle Shenkman concerts are more Shenkmans have agreed to support the concerts every Wednesday evening, when the NG stays open until 8 pm, for ten years, making it one of the longest arts sponsorship commitments ever. This generous gesture - the cost is in excess of £100,000 - also supports one of Belle Shenkmans's other good causes, the Royal College of Music: students from the College will provide

the music. And there will be more. Negotiations are under way to perpetuate Belle Shenkman's name at another cultural institution with which she was closely associated, the Royal Academy of Arts.

The TI Group is few people's idea of a modern Medici. Yet TI is becoming one of the UK's leading patrons of contemporary art.

It began by chance, when the com-pany rationalised its HQ into an industrial site at Amersham. In the classic tradition, the chairman's wife said the austere bare walls cried out for art. TI did not mess about. It went straight to advice of fine art Professor Paul Huxley, set about buying the work of RCA students, past and present.

It now owns 115 paintings and is so carried away with its ambition that it is extending the scheme to its overseas subsidiaries and planning to set up a Foundation to secure its future. With between £50,000 and £100,000 to spend each year on art it is already e major player. It also funds a student each year et the RCA, and buys many of the works for its collection at student shows. Among the good buys are paintings by Chantal Joffe and Philip Junes, and one at least of its protégés could become the next David Hockney. Even if TI does not hit on a megastar the collection, at the latest valuation. has already shown an annual appreciation of 22 per cent per annum.

### Ballet

ist John Singer Sargent.

# In love with the waltz

t is worth travelling e long way to see Balanchine's Liebeslieder Waltzer - much further than Toulousa's enchanting Théâtre du Capitole where I saw it last week. Balanchine loved the waltz, and he knew everything about it: how it can be set in a big classic spectacle (his Sleeping Beauty waltz is super-Petipa); bow its romance can speak to us today, when noone waltzes but people still love watching It, as we know from such big works as Vienna Waltzes or Liebeslieder Waltzer or La Valse. In these he explores romance, nostalgia, the intoxications of three/four time, and the resonance of feeling implicit in a woman, grandly gowned, borne in the arms of her cavalier and borne on the pulse of the music as her dress streams and flares over the dance itself.

Liesbeslieder is very special even in this company. Brahms uses domestic forces - a quartet of singers; two pianists at one piano - and this inspired Balanchine to domestic means for part of the time, too. His four couples are seen in ball-room the wanted the setting to be like Munich's ings those intimacies and frissons of passion or sadness that may colour a couple's dancing.

The first part is the most audaclous. The women in long dresses and heeled shoes, the man in stylised evening dress, explore the potential of the waltz itself as social dance. An 18th-century ballet-master once remarked "Que de choses dans un menuet", and Balanchine echoes him - how many things there are in these waltzes. Variety of tempo, of steps as they elaborate or transmute; variety of feeling, of formal structure. The piece is a transcendental display (masked under its graceful surface) of creative skill. It is insidious, miraculous, and done with the blithest air by Balanchine and, in good

performance, by his artists. For the Neues Liebeslieder set. Amalienburg's doors have opened on to the night air, and the women are now in shorter dresses and ballet shoes. The men simply shed their gloves. The waltz is somehow freed, the the end - as Goethe's poem tells



Exploring the potential of the waltz as social dance: Peter Mason and Anne Frenois dance Balanchine's 'Liebeslieder Waltzer' in the Théâtre du Capitole, Toulouse

return in their long dresses, and we (and they) contemplate what has just ended. It is a work of astonishing and ever-fresh beauty, and the dancers of the Ballet du Capitole are splendid in lt. Theatre and stage are the right size for these intimacies. The staging is by Karin von Aroldingen (who waltzed sublimely in Balanchine choreography) and Sara Leland, and the design by Nicolas de Lajarte recreates the silvery elegance of Amalienburg to the life. (It does seem a bit grand, but is ravishing.)

The Toulouse company is now directed by the American dancer and teacher Nanette Ghushak (a former director of Scottish Ballet) emotions seem more clear, but at and she and von Aroldingen have inspired the cast to recognise

of love's disquiets - the women these dances for what their title calls them: love songs. I salute the four couples - Paola Pagano, Christophe Maraval, Frederique Vivan, Yevgeny Slepov, Anne Frenois. Peter Mason, Macha Daudel, Luca Tozzi - for their performances had the right sensitivities to feeling and a proper delight in the marvels they were given to dance. The ballet was truly itself.

The music was no less admirable. The singers - Regine Hermann, Katharine Goeldner, Donald George, Thierry Felix - were excellently matched. The pianists - Robert Gonnella, Philippe Montferran merit no less praise The second part of the evening was devoted to Margo Sappington's Rodin mis en vie. I am at some disadvantage with this

piece, which I have known over the past 20 years, and which I think looks like nothing so much as Soviet choreography of the 1950s, with straining bodies registering e lot of spurious emotion. I am also what may be called Rodin-immune and even more immune to the orchestral stickinesses of Michael Kamen's score. To watch a collection of dancers impersonating statues all over the stage, and making a meal of every move, is not an activity I choose often to indulge in. I am sure everyone was perfectly splendid, and the Toulouse audience had a whale of e time. I kept thinking of waltzes - and was made happier than I ntherwise

would have been.

### Concert/Andrew Clark

# Requiem for youth

might have gone unno-ticed nn Wednesdey, were it not for a performance of the War Requiem in Westminster Cathedral organised by London's Royal College of Music. As origi-nally intended by Britten for the 1962 Coventry premiere, it brought together soloists from the three countries most directly involved in the conflict it commemorates - Britain, Germany

and Russia. Unlike Pears, Fischer-Dieskau and Vishnevskaya, however, the soloists on this occasion were reletively inexperienced, and the RCM chorus was eugmented by singers from conservatoires in 11 other countries, including Israel. The result not only conveyed the naked truthfulness of the composer's inspiration; it did so with a freshness of responsa and purity of address that one rarely

encounters with professionals. It is tempting, but erroneous, to say the War Requiem interprets Itself. What it needs is a forces in multi-layered material, approach may have underplayed

the death of Britten pals, e well-tuned chorus and larly in the menacing Dies Irae, soloists capable of projecting more than just the text. A cathedral setting helps. Once these are in place, Britten's interpolation of the Owen poems in the Latin liturgy, and his eerily effective music, can be relied upon to do the rest.

hat the RCM met these

criteria is a reflection of its current standards and the skill of the conductor, Steuart Bedford, Balances were particularly well judged for which the Westminster Cathedral choristers, concealed in the chancel, deserve equal credit. Instrumental detail in the chamber ensembles was projected with clarity and imaginetion, especially from the Budd-like woodwind choirs.

The fugal repetitions of the Offertorium lost none of their precision in the boomy acoustic, and the tapering of the choral decrescendos showed just how carefully tha performance had been

he 20th anniversary of an orchestra with brilliant princithe dramatic contrasts, particubut it reinforced the work's organic unity.

Thanks to the youthfulness of the soloists, the idea of spoiled innocence - e recurrent Britten theme which is often missed in the War Requiem - was well to the fore. With his bright timbre, clarion diction and beautifully hung phrasing, Mark Wilde proved himself e naturally expressive Britten tenor.

The baritone Johannes Beck, refreshingly un-Germanic in timbre, was an intelligent foil, despite his modest projection. In the soprano part, Iana Ivanilova geve notice of a magnificent instrument, used with emotional detachment.

In sum, this was a warm and dedicated, rather than intense, interpretation, which captured the message of grief and reconciliation in moving terms. Well over 300 participants were listed in the programme - all except the driving force behind the project. Neil Mackie (the RCM's head of vocal conductor who can organise large prepared. Bedford's linear studies), to whom special thanks are due.

### Theatre/David Murray

# All sweat and tangas

an Judge's RSC production long, manly kisses, as little discoma up from Stratford-on-Avon to the Barbican. Troilus is not among the favoured Shakespeare plays that come round regularly (it is perhaps thought to be too raunchy for A-levels), so we want it to be lucid and not overly kinked. That is what Judge gives us: e nearcomplete text, mostly well spoken, in a staging that has its epic passages and some teasing

sweety, homerically masculine affairs. The women - Cassandra. Helen, Andromache and Cresside herself – live nnly on the margins of the real (but meaningless) action, e blind sporting contest between the Trojan guys and the

In thongs and tangas, the men preen, pose and compete to the death. Whila Cressida's lubricious uncle Pandarus identifies the Trojan heroes for her, Judge has them stripping off for a Clement Crisp young friend Patroclus exchange As burly Ajax, Ross O'Hennessy

of Troibus and Cressida has turbed by Thersites' nasty jeers as any Gay Lib activists would

Judge paces the larger action very well, all the way to the final scenes of inevitable, irrational slaughter. The slighter but crucial thread, young Troilus's passionate connection with Cressida. is not so happy. Victoria Hamilton's pretty Cressida is a touching little minx, not more, while Joseph Fiennes pulls out the vox humana stop early on - with The main slant is toward added tremolo - and never turns it off: his strangulated bleat becomes a whina long before the

he other men are sturdy and interesting. Philip Voss makes the wilv Ulysses smooth and reptilian, apparently without any game-plan of his own - a wheeler-dealer with no purposes. Louis Hillyer finds more substance in Hectnr, pragmatically decent, than one expects. Clive Francis steam-bath. Achilles and his tall is a superbly creepy Pandarus.

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looks to have been pnt on sterolds for the season, but he plays him less clownishly than usual.

Generally the characterisations are sharp, though Philip Quast's Achilles remains a bit of e cipher. As Thersites, Richard McCabe makes a flamboyant start with the Prologue, but soon declines into conventional growls and subversive mutters; during the last battles, Judge has him dashing to the forestage to bellow an angry line or two and then fleeing again. There is a lot of stage-smoke

to go with the military un-dress and macho capering. The big argumentative speeches are solidly delivered, and make us listen hard. A sense of cynical futility hangs over all the proceedings. unleavened by anything humane. It is e defensible reading of the play, of course, and grittily con-

We watch it fascinated and

In repertoire at the Barbican Theatre, to March 25.

# INTERNATIONAL

Concert performance, conducted by Edo de Waart and performed sopranos Dagmar Schellenberger, Regina Nathan, Montque Krüs and

William Forsythe's in the Middle Thom Willems, and District

Seyffert's Heimkehr to music by Mahler, 6pm; Dec 8

EXHIBITION **Kupferstichkabinett** Tel: 49-30-26629598 Giovanni Battista Tiepolo und sein Atelier, this exhibition celebrating the 300th anniversary of Tiepolo's birth features some 60 drawings and etchings by the Venetian master. Also on display, 40 works from Tiepolo's workshop; to Mar 2

### **BRUSSELS**

CONCERT Palais des Beaux-Arts Tel: 32-2-5078466 Orchestre National de Belgique: with conductor Yuri Simonov and pianist Jean-Efflam Bavouzet perform works by J.S. Bach, Beethoven and Schubert; 8pm; Dec 10

EXHIBITION Musée dArt Moderne Tel: 32-2-5083211 Léon Spilliaert (1881-1946); exhibition featuring 41 works by the Beigian artist Leon Spilliaert from the museum's collection; to Dec 15

### DRESDEN

**OPERA** Sächsische Staatsoper Dresden Tel: 49-351-49110 Jenufa: by Janácek. Conducted by Wolfgang Rennert, performed by the Sächsische Staatsoper Dresden. Soloists include Anny Schlemm,

Roland Wagenführer and Albert Bonnema; 7pm; Dec 8

LISBON CONCERT Grande Auditório da Fundação

**Gulbenkian** Tel: 351-1-7935131 Thomas Hampson and Craig Rutenberg: the baritone and the pianist perform works by Mahler and Barber, 7pm; Dec 9

### **LONDON**

OPERA **London Coliseum** Tel: 44-171-8360111 The Mikado: by Sulivan. Conducted by John Pryce-Jones, performed by the English National Opera, Soloists include Richard Stuart, Ann Howard. Bonaventura Bottone and Richard Angas; 7.30pm; Dec 9 Royal Opera House - Covent Garden Tel: 44-171-2129234

● Tosca: by Puccini. Conducted by Placido Domingo, performed by the Royal Opera. Soloists include Galina Gorchakova, Keith Olsen, Robin Leggate, James Morris and Gordon Sandison: 7.30pm; Dec 9

**LYON OPERA** Opéra de Lyon Tel: 33-72 00 45 00 ● Le Nozze di Figaro: by Mozart. Conducted by Paolo Olmi, performed by the Orchestre el Choeur de l'Opera de Lyon. Soloists include Michel

Denonfoux, Norah Amsellem and

Elzbieta Szmytka; 8pm; Dec 10,

### MADRID EXHIBITION

Museo Nacionel Centro de Arte Reina Sofia Tel: 34-1-4675062 Oskar Schlemmer: exhibition featuring some 200 works by the German sculptor and painter Oskar Schlemmer (1888-1943), who was also a teacher at the Weimar Bauhaus and creator of the "Triadic Ballet";

### NEW YORK

EXHIBITION The Pierpont Morgan Library Tel: 1-212-685-0008 Seventeenth-Century Dutch Drawings in The Pierpont Morgan Library: this complementary exhibition to "A Fine Line: Rembrandt as Etcher" includes approximately 70 works by masters of the Golden Age of Dutch Art; to Jan 5 OPERA

Metropolitan Opera House

by Carlo Rizzi, performed by the

include Swenson, White, Vargas,

Metropolitan Opera. Soloists

Tel: 1-212-362-6000

### Nucci and Miles; 6pm; Dec 9 PARIS

DANCE Théatre Claude Debussy Tel: 33-1-43 96 77 67 Vu d'ici: solo performance by choreographer/dancer Carolyn Carlson, Part of the festival lies

de Danses 96; Dec 7

Fondation Cartier pour l'Art Contemporain Tel: 33-1 42 18 56 50 Death: exhibition of seven monumental iron sculptures by Patrick Vilaire (b. 1941), e contemporary artist from Haiti. Central theme of the works is 'death"; to Dec 22

EXHIBITION Shanghai Museus Tel: 86-21-63724004 From Zurbaran to Picasso. exhibition featuring around 60 Canaletto, Gauguin, Pissamo, Sisley, Monet, Picesso, Heckel,

### **TURIN**

**OPERA**  Rigoletto: by Vardi. Conducted **Teatro Regio** Tel: 39-11-88151 Le Convenienze ed Inconvenienze Teatrall: by Donizetti. Conducted by Fabrizio Maria Carminati, performed by the Orchestra a Coro del Teatro Regio. Soloists include Luciana Serra, Carlos Chausson and José

WASHINGTON

**EXHIBITION** Patrick Vilaire – Reflection on

### **SHANGHAI**

Masterpieces from the Collection of Carmen Thyssen-Bornemisza: paintings from Baroness Carmen Thyssen-Bornemisza'a collection. included are works by Zurbaran. Kandinsky and others; to Dec 14

Fardilha; 8.30pm; Dec 10

## EXHIBITION

 Michelangelo and his Influence: Drawings from Windsor Castle: this exhibition examines examples of Michelangelo's draughtsmanship and demonstrates the impact of the artist nn the imagination, technique, style and imagery of his contemporaries and successors. Eighteen sheets with twenty-three of Michelangein'e drawings and fifty works by his contemporaries and followers, in addition to e small number of engravings, were selected from

tha Royal Collection Trust to illustrate the effect of Michelangelo's work In drawing, painting and sculpture. Raphael, Sebastiano del Piombo. Perino del Vaga, Pordenone, and Annibala Carraci are among the twenty-six additional artists

represented in the show; to Jan 5

### ZURICH

CONCERT Tonhalle Tel: 41-1-2063434 Collegium Novum Zürich: with conductor Jürg Henneberger perform works by Prokofiev, Vallulin, Gubaidulina and Zigankov; 7.30pm; Dec 8

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**Philip Stephens** 

# Matter of opinion

Snapshots by pollsters make fascinating reading but are no guide to the eventual outcome of a general election

Opinion polls are junk food between the companies. else tomorrow. We know the US. Somehow, I doubt it. for journalists. They fill a front page with minimum effort. They do precious lit-tle to nourisb the political debate. Yet we are addicted to them. Half the time we around 50 per cent and the even believe them. Week by Conservatives at a little week from now until above 30 per ceot. Britain's general election. The numbers though are the pollsters promise us

Consider for a momeot the first question the polls ask. If the election were held tomorrow, how would you cast your vote? The snag is that everyone knows there is not going to be an election tomorrow.

Sometime next epring. yes. John Major may hold off until May 1. My hunch is he will opt for April 10. The parliamentary arithmetic chances even earlier. But not tomorrow. So the voters have time to make up their minds. Even if they try to be truthful when talking to tbe pollsters, they do not eor to tbe unfortunete need to decide yet about Nicholas Scott as candidate where they will actually put for Kensington and Chelsea their cross on the ballot

So no one - least of all the polling companies thinks these snapshots of opinion are an eccurate guide to the eventual electioo result. For one thing. different polls say different things. Teke the most recent batch, published since the beginning of November. They show e Labour lead over the Conservativee of anythiog

between 13 and 28 points. Polls taken by the same company can show large swings over short periods. ICM said in early November that Labour's margin bad shrunk to 13 points, the lowest since Tony Blair became leader in 1994. This week, lts post-Budget snapshot had Labour ahead by 19 points. We live in febrile times, but public opinion is not that fickle.

Of course, one can iron out such blips and average out the discrepancies

still incredible. At the same point before the last election, the two parties were neck and neck. They stayed like that until polling day. But when it came to the real thing in April 1992, the Conservatives won with an eight point lead. The pollsters were not the only people with egg on their faces.

For an opposition to be 20 points ahead so close to the election is anyway unprecedented. If the lesd translated into real votes, Mr Blair would be looking forward to a majority in the House of Commons of comething over 200 seets. Mr Major and the lucky succeswould have to keep each other company oo the Tory benches et Westminster. Paddy Ashdown's Liberal Democrats would replece the Conservatives as Her

Majesty's loyal opposition. significant slice of the electorate is saying one thing today and will do something

The smaller 'focus groups' of voters on which the parties nowadays test

their ideas do not

deserve the air of mystery in which they are shrouded

That at least gives a more from local and European consistent picture. A elections. Lebour'e best straight line through the share during the past few different surveys shows years was the 47 per cent it Labour's support hovering won in the 1995 council elections. More typically, it has scored 44 or 45 per cent.

Put it another way. To be confident of a majority in the House of Commons, Mr Blair needs a swing against the Conservatives of about 4 per cent, taking Labour's share of the vote to a touch over 40 per cent. That in itself would be a record. The biggest swing to Labour since 1945 has been 3 per cent. Yet the opinion polls point to a swing of 10 or even 15 per cent.

There is another reason wby we can be sure the surveys are wrong. The carefully-selected groups of voters grilled by the pollsters are also asked which party they supported last time. In most polls this exercise produces a rather startling outcome. Mr Major did not win in 1992 after all. We have all been dreaming. Neil Kinnock has not been running Europe's transport policy. He is prime minister. So the polls are telling us

have returned the warm glow of the economic feelgood factor to the cheeks of the electorate, but few are ready to give the government the credit, And those willing to do so are underadmit their allegiance to such a desperately unpopular and divided party. You do not need expensive surveys to tell you that, A chat with a few neighbours in the local supermarket or pub will turn up the same

Nor do the smaller "focus groups" of voters on which the parties nowedays test their ideas deserve the air of mystery in which they are need the pollsters to tell you mystery in which they are ahrouded. Legend has it tbat listening to such groups secured President Bill Clinton's re-election in to give it up.

On the British side of the Atlantic, anyway, they fulfil a more pedestrian role. Qualitative polling, as it is called, is simply a useful tool for the party propagandists to discover which of their messages are getting though. Has the Nsw Labour label stuck? Can the voters be persuaded that Mr

Blair is smarmy? There is hardly any magic in this. To be fair, the opinion pollsters do not claim their results are predictive. That's the fault of tha headline writers. The companies will readily admit that peo ple are waiting until much closer to polling day before making up their minds.

After getting it wrong in 1992, some of the companies havs mads technical changes. ICM asks its ques tions by telephone in the hope of securing more rep resentative samples. Along with NOP, it adjusts its raw figures to take account of a so-called "spiral of silence" among some voters. These are the erstwhile Tory supporters who are unwilling to acknowledge they will probably return to the fold. nothing more than our intu-ition. Kenneth Clarke may numbers knocks a few

points off Labour's lead. There is also useful data still to be found in the undergrowth of the surveys. The responses on economic optimism, on party allegiance, and on the images of standably reluctant to the leaders provide helpful clues to the public mood.

But if we are to take them seriously, the polls must start to show e sharp fall in Labour's lead. Then the question will be whether this represents an adjustment to the prospect of a comfortable (rather than e crushing) Labour victory or whether it marks a trend which could yet save Mr the odds are firmly with Mr Blair. But it's much easier to disparage junk food than

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEL 9HL We are keen to encourage letters from readers around the world. Letters may be listed to +44 171-873 5938 (please set fare to fine), a.m.s.k letters editor@h.com Published letters are also available on the FT web site, http://www.FT.com.

Translation may be available for letters written in the main international languages.

# Dissent at Apec meeting cannot be ignored

From Prof Jagdish Bhagwati. Sir, Fred Bergsten'a critique (Letters, November 29) of your account of the meagre results achieved at the recent Apec meeting in the Philippines is unjustified ("Apec opts for slow and

steady jog", November 25). True, the information technology agreement was endorsed by the assembled heads of state. But, as your correspondents noted, while American reporters were mostly repeating the official US gloss in the newspapers bere, there were important dissents on what the agreed statement implied. Singapore's prime minister, Goh Chok Tong, described the wording as so ambiguous that "it can be interpreted

by members as anything they want it to be". Malaysia's Dr Mahathir remarked that it bound members to no schedule at all. Besides, the agreement

itself owes little to Apec. Its contours were set well before the Apec meeting and it would have been taken to its true target, the World Trade Organisation ministerial meeting in Singapore starting on December 9, regardless of whether there was an Apec meeting now or, for that matter, Apec

Nor is Mr Bergsten persuasive when he claims that the Seattle summit of Apec played e "decisive role in the completion of the Uruguay Round in 1993". He means

that Apec served as a threat to walk away from multilateralism and this forced Europe to settle. Instead, the Uruguay Round was completed essentially because the US wisely decided to close the deal, taking the deals on the table instead of seeking more concessions. Further delays may have produced better bargains, but they would have killed the credibility of the multi-

did not do. As in the earlier

Osaka summit, the Apec have often espoused.

While Mr Bergsten seeks to measure the Apec meeting's success by exaggerating what it did, its true success lies instead in what it

any politician might have of

political "use" of companies.

All of this does not make

Poland sound like Italy - we

know what happened there

in spite of the climate, the

opera, wine and food. And

strained by more than seven

years of inconclusive negoti-

lateral trading system.

meeting opted for most favoured nation (MFN) trade liberalisation, resisting the temptation to turn Apec into a free trade agreement (which would instead liberalise trade preferentially only for Apec members), an option that Mr Bergsten and the Clinton administration

Apec has thus continued to remind us that true "open" regionalism" is in fact MFN trade liberalisation. In the end, it could well be Apec's

Jagdish Bhagwati, Arthur Lehman professor of Columbia University, New York NY 10027, US

### Perceptive and thought provoking

From Mr Paul Davis. Sir, I would like to take . this opportunity in wishing Michael Prowse well as his assignment in Washington comes to an end. His final article, "A deep debt of gratitude" (November 25) demonstrated, to all students of US current affairs, his thoughtprovoking and perceptive

His uncanny ability to second guess the actions of the Federal Reserve and erudite knowledge of US macroeconomic indices have, over the years, provided a detailed picture of the US economy. An unswerving advocate of supply side economics and the teachings of Frederick Hayek, be remained principled to the last. Wherever his career takes him next I for one will watch with interest. The FT leaves itself with a hard act to follow.

### vatising as much of the Polish economy as we can, will From Mr G. Kolodko. It is not only to remove Sir, I read with great interthe bureaccrats from runwe remove any ideas that

Good reason for Polish privatisations

est a small item published in Observer ("Insure yourself," November 28) on the issue of privatisation of PZU, the largest insurance company in Poland.

It came as a great surprise that such a reputable newspaper, promoting market reforms and disengagement of governments from business, published and endorsed opinions of people opposed to Polish government privatisation plans.

From Mr Francois

Sir. On December 3 you

published an article on the

ment law in Switzerland

of the referendum is

ing hours would have

one-sided.

rejection of the new employ-

("Business hits at Swiss poll

result") . The explanation which you give of the result

It is true that a relaxation

of the regulations on work-

ning the companies but also to avoid such charges - of companies being in the sphere of influence of political parties - that we are planning the speedy privati-sation of companies in the financial sector. I bope that you will agree with me that privately owned companies will not want to entangle themselves in politics. It is my firm belief - and it is shared by most of my fellow

However. It is just as impor-

was lacking in balance. This

argument was not accepted

the food in Poland is really G. Kolodko. deputy prime minister, ministers – that only by pri-

Swiss labour law still in need of revision

overwhelming rejection by

tant to give adequate protecthe people and the cantons. tion to the health of employ-This outcome does not ees, particularly those who alter the fact that an urgent work at night. In this revision of the employment respect, the federal council law is necessary for the would have preferred to go further than parliament. It Swiss economy. This debate is in some ways reminiscent of the topic of the 48-hour had declared its support for limit on the working week in legal provisions on compensation for working at night the UK. and on Sundays, without which it felt that the law

François Nordmann, ambassador of Switzerland, 16-18 Montagu Place, London W1H2BQ; UK

reasons. The principal one is

eign debt next year. Ukraine

- in contrast to Russia -

for past energy purchases.

Next year the government

has for this reason to pay

\$950m in foreign debt ser-

vice, mostly to Russia and

Second, some of the

reforms - notably the tax

reductions - tend temporar-

ily to increase the deficit.

projected to reduce revenues

to 34 per cent of GDP in 1997.

Expenditures are, at the

same time, to be cut by only

2 per cent of GDP. The result

is a forecast increase in the

deficit from 3 per cent of

GDP to 4 per cent.

Domestic capital markets

are still in such an undevel-

oped state that foreign bud-

getary assistance is crucial

to ensure that even this lim-

Paul Davis, 26 Suffolk Road,

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Europa · Georges de Menil

to become more competitive. by parliament, hence the

# EU's chance to shine

Europe should stop being feeble and support Ukraine's reform programme



the European Union's capacity to show leadership in foreign policy.

response to radical reform in Ukraine, which is the key - cial economy is expected to as much as Russia - to the fall 9 per cent in 1996; GDP Ukraine, which is the key geopolitical stability of in the unofficial economy Europe. On December 17, Europeans, Americans and Jepanese gather in Washington to decide whether or not to provide support for Ukraine'e new reform pro-

Lest week Mr Leonid Kuchma, Ukraine's president, began submitting a legislative package to eliminate regulations, reduce taxes and cut expenditure.

This is Mr Kuchma's second initiative. The first was launched in October 1994, three monthe after his election. It eliminated price controls, notably for industrial gas; gave free access to the foreign exchange market for all importers and exporters; abolished trade quotas; and cut the budget deficit from 10 per cent in 1994 to 3 per cent this year.

The result, two years later. is the end of high inflation and the early signs of export growth. Prices are presently growing at an annual rate of about 20 per cent. For a country in which they rose 10,000 per cent in 1993, this is e significant achievement.

Nevertheless, the first programme left a myriad of regulatory and edministrative obstacles to enterprise, excessively high taxes and a sprawling, inefficient government administration.

One example of the way in which regulations from Soviet days barnstring businesses is the kartoteka regulation, which prohibits Ukrainian enterprises from having more than one bank account, and allows the tax administration to freeze all transactions on that eccount if it deems that the company owes back taxes.

Its businesses from drawing cash from their account approval. The consequence is that no intelligent busi-nessman uses hie bank account to run his business.

According to World Bank estimates, for every dollar produced officially in Ukraine, another dollar is produced unofficially, in a shadow economy where the medium of exchange is dollar bills. Not surprisingly, in the economy as a whole pro-EU's duction is still falling. Gross domestic product in the offimay be growing, but not

enough to compensate. The purpose of the second wave of reforms, crafted by Mr Victor Pynzenyk, viceprime minister, is to make a clean slate of the remaining Soviet regulatory and other impedimente, bring the shadow economy into the open, and put Ukraine on e

rapid growth path.
The legislative programme includes elimination of the kartoteka, acceleration of privatisation, ending government grain procurement. independence for the central bank, the creation of a modern, western-style treasury to monitor government spending, and the reduction and rationalisation of taxes. This programme requires

The International Monetary Fund, which supports this second phase of reform. has estimated that Ukraine needs \$750m in bilateral financial support for the programme to be vieble. foreign assistance for two Ukraine has asked the EU



The regulation also prohib- Leonid Kuchma: started submitting a legislative package

for a third of that sum. The that Ukraine has to pay back US and Japan have made iniwithout prior administrative a substantial part of its for- tial, low commitments, and are watching what Europe

> faces a sbortage of energy resources. Though the coun-The response of the EU has been short-sighted and try has paid its debts since slow. Though EU economics November 1994, it must now and finance ministers have service the restructured debt met three times eince Ukraine officially presented its request, they have barely addressed the issue. The member countries are bickering over whether prior conditions for disbursement of earlier credit have been met, over overall policy in the region, and over burdensharing with the Americans. Government revenue is expected to be 37 per cent of They are combing through technicalities as If the EU alone bore the full burden of GDP this year. Tax cuts are verification of a programme that will, in fact, be monitored monthly by the IMF. They are hiding behind the unfortunate hesitation of the US to provide new balance of payments eupport itself, in order to postpone consideration of their own commit-

> Surely the path of leadership is to press for an internal consensus on support. ited deficit does not lead to and then press the inflationary financing. Americans and the Japanese

> > Europe has shown striking insensitivity - in trade matters as well as in matters of financial support - to the fact that e strong Ukraine is the best defence against e return of empire in the region, concentrating Its support on Moscow. The disturbing implications of President Alexander Lukashenko's autocratic intentions in Belarus should help to emphasise the point.

> > The inability to act reflects a lack of political will in the member states. In contrast, the European Commission has drafted a positive political statement on Ukraine for the Dublin summit.

The issue on December 17 will be who will take leadership in Europe. If the answer is the US, Europe will have lost an important opportunity - and radical reform, economic growth and political stability beyond the EU's eastern border will suffer.

The author is professor of economics ot the Ecole des Houtes Etudes en Sciences Sociales in Paris, and senior editor of the journal Eco-

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Mr Kohl

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Number One Southwark Bridge, London SEI 9HL

Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Friday December 6 1996

Jobs warning for Mr Kohl

the world are set to increase

ous sick pay provisions have

fallen foul of union protests.

Yesterday's unexpected regional

industry of Lower Saxony may

huy industrial peace. But the

agreement to continue sick pay

at 100 per cent of salary in

return for cuts in end-of-year

bonuses could prove expensive.

calculated that German workers

take an average of 21 days sick

leave each year, which is far above the level in comparable

and competing industrialised

countries. It is a sign of the per-

verse incentives and hizarre

expectations which the welfare

There is no dissent In govern

ment, opposition, business or in

the trade unions on the analysis

of Germany's problems. But the

November unemployment fig-

ures are a grim reminder of the

need for more decisive action by

prompts the European Union to

curb US maize imports, an ugly

row will ensue, reminiscent of

their long-running argument

Monsanto's soyabeans, by

contrast, are agreed by authori-

ties on both sides of the Atlan-

means of labels - a task the

manufacturer says is impossible

since there is no way food pro-

cessors can segregate different

First, there is an urgent need

regulators of food and drugs.

This applies especially to

Europe, where the system is of

a complexity which only the

inventors of the Common Agri-

cultural Policy could have

devised and as a result com-

mands almost no public confi-

dence. As Mr Franz Fischler,

agriculture commissioner, said

this week. Europe has much to

Second, in the absence of

trusted regulators, consumers

crave information. This does

although informative labelling

can help. It means that manu-

facturers, retailers and govern-

ments have a responsibility to educate the public about new

techniques such as genetic engi-

neering. Unless they do, dema-

not necessarily mean labels -

learn here from the FDA.

Two immediate lessons occur.

types of beans.

tic to be entirely safe. But pro-

ting bormones in beef.

structure has created.

Faked beans

No aspect of modern buman humans. If this difference

consumers find themselves about the use of growth-promo-

A new breed of genetically testors demand that consumers

fuss about? Technologists have for greater co-ordination among

Health insurance funds have

pension contributions.

unemployment in Germany was

the latest indication that the

nation's fitful economic recov-

ery is still not producing more

jobs. The 50,000 jump in the sea-

sonally adjusted total of regis-

tered unemployed to 4.1m in

November was well ahove

recent trends and expectations: it points to a hleak mid-winter.

ter Rexrodt, economics minis-

ter, was ill-advised to repeat his

perennial optimism on the strength of Wednesday's rela-

tively buoyant third-quarter

economic growth figures. Inso-

far as Germany is enjoying a

recovery, it is a jobless one with

little prospect of improvement.

Germany's unemployment

problem is not cyclical: it is

structural. Industry is respond-

ing in a time-honoured fashion

to high costs at home, by shed-

ding labour and investing abroad. Meanwhile the all-

important Mittelstand compa-

nies are holding back from

investment and job creation. In

addition, in eastern Germany

one in four of the labour force

has no proper job. This shows

there bas been no effective aub-

stitution of employment follow-

ing the collapse of state indus-

This is a problem turning into

a crisis, and it requires decisive

government action. Unfortu-

nately, the well-meaning pro-

existence is more prone to pro-

voke panic than food. With mad

cow disease still lurid in the

public imagination, European

assailed by a new threat:

mutant crops produced by

cenetic engineers, infiltrating

their stomachs without so much

unicash a transatlantic trade

dispute. Green lobbyists and

consumer groups rumble about

a US soyabean engineered to

resist disease. The debates gen-

erate more heat than nutrition.

been improving crops by selec-

tive breeding for centuries, with

overwhelmingly heneficial effects for mankind. Most of the

transplantings of genetic mate-

rial being undertaken hy

today's biotechnology compa-

nies are in essence no different.

which cannot be dismissed. In

Europe, many consumers mis-

trust the new products. And

BSE shows what can happen

when public mistrust runs out

The two new products raise

different issues. Ciba's maize,

though approved by the US

Food and Drug Administration,

couses concern among some

European scientists about a

gene it contains which could

make bacteria resistant to anti-

Copying may be the sincerest

of intellectual property would

Unlike photocopying and tape

recording, digitally stored infor-

mation can be reproduced per-

fectly. It can be picked up over

the internet anywhere in the

world for the price of a local

More than 100 member gov-

ernments of the World Intellec-

tual Property Organisation are

discussing in Geneva three new

treaties to extend the rules for

copyright protection into the

divital age, Although both the

Buropean Commission and the

US Congress have discussed the

issues, global law is needed for

Because material on the Inter-

net is difficult to protect, much

rather have royalites.

telephone call.

o global medium.

blotics in animals and possibly goguery will proliferate.

Cyberpiracy

of control.

There is, however, a problem

What, one might ask, is the

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tries after unification.

It also suggests that Mr Gun-

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of its potential for disseminating entertainment and information is at present unused. But the absence of a simple and secure way of charging for downloading software, music or books is an equally important distributing many forms of copyright material will not be realised unless these obstacles

are overcome. Bringing the century-old Berne convention on copyright up to date would be an important step. However, after agreement is reached the net will remain vulnerable to pirates laws effective.

operating from countries which have not signed.

form of flattery, but the owners Even with conventional taping, the music and film indus tries estimate that copies ontnumber pre-recorded originals by three to one In industrialised countries. Faster internet connections will multiply this problem. The time taken to transfer a music CD is being cut from about two days to 10 minutes. This could reduce rewards for innovation or put up the price

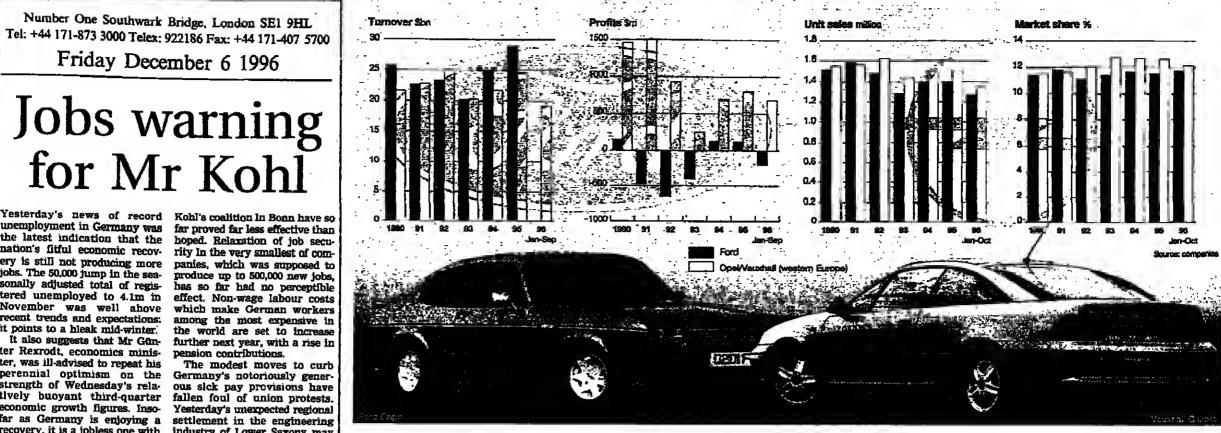
for legitimate customers. The main problem will therefore be to enforce the new rules. The Internet was designed as an open information highway for US scientists, quite different from a worldwide commercial forum. But the commercial sector has a great incentive to ensure that technology is avail-

able to protect copyright. New techniques for encrypt ing information will enable the information to be sent only to the intended recipients. This would also allow a cyberpay ments system in which people constraint. The enormous could pay with a mouse click advantages of the intercet for rather than hy confirming credit card numbers over the telephone. Electronic tagging can already be used to distin-

guish legal from illegal copies. Legal protection of copyright is needed if the Internet is to achieve its full potential. The next step will be to perfect the technology which can make the

### **COMMENT & ANALYSIS**

### Carmakers in Europe: General Motors pulls ahead of Ford



# A need for positive steering

Ford faces several difficulties in its effort to catch up with General Motors in Europe, says Haig Simonian

off the Capri in stylisb but affordable coupes shed a tear at the loss of a popular car. But the demise also marked a turning point in Ford's fortunes; after years of supremacy in Europe over General Motors - its otherwise much bigger US rival - Ford floundered. By 1990, when Opel and Vauxball launched the Calibra, the

Capri's spiritual successor, GM's European subsidiaries had caught up with Ford In the most competitive car market. GM is

and Ford is flagging. "In the 1980s Ford of Europe kept Ford affoat in the US when under attack from the Japanese. Recently, the positions have been reversed as Ford took its eyes off the ball in Europe," says Mr John Lindquist, a motor specialist at line Ford 2000 further.

Europe in four of the past seven quarter losses of \$472m, compared with \$320m last year. Ford Britain and Germany. warned of a likely \$300m to \$400m charge in the final quarter to cover early retirements, partly in Europe. GM made \$75m in the

third quarter. So serious has the financial haemorrhage hecome that Mr Alex Trotman, Ford's chairman, reassigned Mr Jac Nagser - a trusted lientenant who is tipped as a future chairman and has heen running Ford's US operations - back to Ford of

Europe to sort out the mess. Mr Nasser could start by looking at GM. The companies are similar in Europe in sales. models and coverage. But they differ in organisation, products and plant efficiency, in each case, GM has lessons for Mr Nasser.

In a decisive move In January

product development on Opel. not lived up to expectations. In many, where GM started less far parts, compared with 3,000 for leaving Vauxhall as a production offshoot. To minimise rivalries, GM simultaneously created a small European headquarters in Zurich. Although Opel dominates its European operations, it is Zur-

We went from being a German manufacturer to being a European one," saya Mr Louis Hughes, president of GM's international operations.

now one of Europe's most profit- to cut costs and improve effiable and productive carmakers ciency by shifting responsibility Trotman merged two pairs of US-

While Ford has lost money In visionary, but criticised for poor implementation. The upheaval, years, GM has racked up net which is still under way, may profits of \$6.4hn (£3.9hn) in the have exacerbated Forg's probsame period. In September Ford lems in the short term. But the reported record European third main flaw of Ford 2000 is its failure to address the duplication in

> the region, is responsible for small and medium-sized frontwheel-drive cars. But it is split between Britain and Germany. That leads to inefficiency and cost, says Mr Steve Young, a motor industry specialist at A.T. Kearney, the management consultancy.

Ford decies its European operations are inherently flawed. Mr Richard Parry-Jones, head of VCI, says its split location is largely irrelevant in an age of instant communications and teleconferencing. "It's myth inside and outside the company, but it's not a problem," he says.

over new vehicles partly explain 1936 GM concentrated European why some receot models have

tiated product," says Mr Young.

ich which calls the shots. Ford has only recently started

to integrate rigorously in Europe. Under Ford 2000 - the reorganisation instituted by Mr Trotman in 1994 - the company has tried for new vehicles from regional subsidiaries to a handful of 'Vehicle Centres", each responsible for a particular type of product. In a tweak in September, Mr based vehicle ceotres to stream-

VC1, the only vehicle centre in

past five years.

But differences between Ford's powerful European subsidiaries a period when all carmakers bave been offering fundamentally undifferentiated product in Europe, Ford has suffered by baying unexciting undifferen-

By axing the Capri, Ford began a decade of coocentrating on mainstream models and ignoring low-volume, image-building cars which pull customers into the sbowroom. By contrast, GM's Calibra marked a shift towards specialist vehicles alongside the utilitarian family saloons for

which it was known. The move into niche vehicles like the Calibra followed the revamp of GM's broader range in the mid-1980s. Much of its success is attributable to two mainstream vehicles: the Opel Ascona/Vauxhall Cavalier and the Opel Kadett/Vauxhall Astra. Both offered good design, up-to-date engineering and value for money when leadership had

he head of a rival says: "The name of the game is product, product and product. Ford was making vehicles which didn't appeal to the market's requirements in Europe." Thanks to its new cars. Opel/Vauxhall has been the bestselling brand in Europe for the

Differing sales performances by Ford and GM models have affected how efficiently they have used their factories. Capacity utilisation, rather than volume, is crucial to profitability in Europe, says Mr Stephen Haggerty, motor industry analyst at Schroders in London.

GM has been consistently better at improving productivity and tailoring capacity to demand. Mr Lindquist says that, based on value added per employee and the speed of turning over stocks two decisive benchmarks -Vauxhall raced from well behind Ford to comfortably ahead between 1982 and 1994. In Gerbehind. Opel achieved rough parity during the same period. in that period GM also "revolu-

tionised" its purchasing by concentrating Its European buying activities and moving from suppliers to Germany to lower-cost alternatives, says Mr Hughes, 'It is almost impossible to calculate what we have saved in purchasing," says Mr Dick Donnelly, president of GM Europe, GM has also "outsourced" more to components suppliers than Ford, reckons Mr Lindquist.

GM has been helped by the popularity of its cars. That has reduced the need for incentives to shift stock. With chronic overcapacity and rising competition in Europe, incentives can be exceedingly expensive, as Ford noted in its third-quarter report.

Healthy demand for GM's cars has also created the cash flow to age, may owe much to being Invest in the latest "lean manu- based on an existing model. facturing" technology. GM's new torv a East Germany is Europe's most efficient plant, according to the Economist Intelligence Unit. Ford has been trying to catch

up. At Valencia in Spain it has just opened a "supplier park" to dict soaring demand in the fastcut handling costs and improve delivery times for component mer communist countries. sob-assemblies from suppliers located alongside its car plant. In terms of models, too, Ford has some trumps. Its Transit van is one of Europe's best sellers. while GM is much weaker in commercial vehicles. Ford is also ahead in multi-purpose "people-

just launched a competitor - two years behind Ford's Galaxy. The Galaxy is one of a number of new or heavily revised vehicles that suggest Ford is trying to improve design, quality and value. That has culminated in the Ka, a diminutive hatchback that was runner up for this year's Car of the Year Award by leading European motoring publications. In manufacturing terms.

the Ka represents significant

carriers", where GM has only

the previous-generation Fiesta on which it is based. And it can be built 25 per cent faster. "The Ka points the way our

company is beading in the 21st century," says Mr Trotman. Mr John Devine, Ford's chief financial officer, says this is the prototype for Ford 2000's aim of accelerating development times and slasbing costs by offering a greater variety of models using fewer vebicle platforms (basic engineering structures). "I fully expect Ford to bounce back." says Mr Lindquist, In 1997 the Ka will be followed by the Puma, a small image building coupé, marking the next step in a strategy to offer more appealing vehicles. But sceptics fear the Ka may be a one-off. Its fast development time of 24 months, compared with Ford's 36-month aver-

Yet the real challenge for Ford value for money, but to keen pace with broader changes in Europe. While most forecasters expect sales in western Europe to stagnate in the next decade, they preexpanding economies of the for-

GM has already responded. In Hungary it has invested more than DM700m (£273m) in a big engine and car plant, in Poland. where it has a low-volume assem bly plant, it last month broke the ground for a DM470m factory near Katowice, modelled or Eisenach. Ford's investments have been restricted to a "screwdriver" plant in Poland and component activities in the region.

Mr Parry-Jones says Ford has eschewed eastern Europe because it is unconvinced by the bullish forecasts. The real reason is that its excess capacity and heavy losses in the weat militate against new factories in the east. The danger is that Ford may be sending Mr Nasser to put out one fire just when he should be tend progress. It requires only 1,200 ing to another.

### Better read than red

You might have imagined. that Russia's embrace of red-clawed capitalism would have been hailed by America's right as an ideological victory on a historic scale. Think again.

From something calling itself the Centre For Security Policy yet another Washington DC think tank - comes a foaming fax, warning that Russla's recent \$1hn enrobond issue is a \*momentous and potentially ommous" development.

Its argument runs like this:

now that the Kremlin can tap western pension funds for cash rather than rely solely on the International Monetary Fund -Russia will be able to achievethat much-dreaded condition, the "financial breakout". Russia's eurobond programme will create a formidable pro-Moscow lobby in Washington, which will force the US government to ball out Russia in the event of a liquidity

Crisis The fax offers an alternative scenario. Maybe, it posits, all this lovely American pension fund money will actually go on the following: developing a new Topol M mobile intercontinental ballistic missile programme; manipulating secular Moslem states in the oil-rich Caspian sea

area: sponsoring a robust international esptonage campaign; and hullding nuclear reactors in Iran and Cuba. After all, it concludes, Lenin himself said western capitalists will sell their enemies the rope with which they hang themselves.

All this is a bit difficult to swallow. The centre really ought to have noticed that the Soviet Union collapsed in 1991. But if it missed that, then surely it's a trifle careless of the lead banks in the eurobond issue – JP Morgan and SBC Warburg - not. to have included any of these spending plans in the prospectus?

### Labours of love

There's bad blood between the International Labour Organisation and the World Trade Organisation, bedfellows in the sleepy town of Geneva. On Monday William Rossier, Swiss chairman of the WTO's general council, unofficially invited Michel Hansenne, director-general of the international Labour Organisation, to speak on trade and labour standards at next week's WTO ministerial

conference in Singapore. Hansenne said ba'd be more than happy to go along and speak on that ticklish relationship, But by Tuesday the invitation was abruptly

withdrawn at the behest of certain developing countries which oppose linking the two

Relations between the two organisations, always edgy, seem set to turn chilly. "The ILO has bent over backwards to put out messages supporting trade liberalisation," says one ILO official, who admits to being "astonished" that the WTO does not care to repay the

Happy to wait ■ There are perhaps few better ways of observing the true

natures of fellow human beings than by watching them stand in queves. A fine example of this occurred yesterday when Walter Mondale, the outgoing US

ambassador to Japan, and his wife Joan, staged a segonera lunch for friends and contacts. Most of the arriving goests lined up in the rain outside, awaiting their turn to shake hands with the Mondales. One or two other ambassadors, of countries that had better rema nameless, were driven to the front of the queue in chauffeured limousines, from whence they strode straight into the US ambassador'a residence. But standing alone near the back of the line was Wataru

Kubo, Japan's finance minister

for just over nine months, until the government changed last

month. A US embassy official quickly spotted Kubo, and rushed forward to invite him to go to the head of the grene with the pushier VIPs. Politely, Kubo declined. Perhaps, as a senior member of the Socialist party. the bespectacled, schoolmasterly Kubo feels himself to be a man

of the people. But he wasn't the only one. Among other top dogs who didn't mind standing in the rain was Sir David Wright, UK ambassador to Japan. His patience must have been sheer good manners...

### Full of beans

In the northern hemisphere the winter is about to unleash its full horror. It's appropriate therefore that the UK-based recruitment company Hays Accountancy Personnel should have come out with a survey suggesting that two-thirds of accountants are more depressed in winter than in summer. Half the bean-counters questioned said they found it more difficult to get out of bed on cold winter

mornings. Conclusive proof at last that accountants are human after all. Oh dear - maybe it's evidence instead that only half of them are...

# Financial Times

### 50 years ago Storm in A Teacup

Johannesburg, 5th Dec. Sixty-five miners at the Number One shaft of Błyvooruitzicht stopped work this morning because of the management's refusal to dismiss a miner who, it was alleged, voted against the recent strike. The secretary of the Mineworkers' Union, after discussion with the men. stated this afternoon that he hoped the matter would be settled amicably, and the men had been told to resume work. The strike is not regarded as serious, but only as a storm in

Fly Constellations! [Advertisement] "Why the world's leading airlines fly Constellations. Lockheed Constellation is the swiftest transport in service today over 300 m.p.h. And only the Constellation has all four safety features - Patented Aerobrakes, Tricycle Landing Gear, additional Flight Engineer and a reserve of over 4,000 surplus horsepower. No wonder that Air France, American Overseas Airlines, BOAC. KLM, Pan American Airlines and TWA have all chosen Constellation.

LAWYERS FOR BUSINESS

# FINANCIAL TIMES

Friday December 6 1996



No plans yet to produce mid-range weapon

# India finishes research on Agni nuclear missile

India has "successfully completed" research on a interme-diate-range missile with a nuclear capability, though it has no plans to produce the weapon unless it believes it is nnder increased military threat, the defence ministry said yesterday.

The ministry said the 2,500km-range Agni missile, tested last year, was e research project and was not designed as a missile system.

Any decision to make and deploy the weapon, which Indian defence analysts say could carry a nuclear payload, would be taken "at the appro-priate time consistent with the prevailing threat perception".

The announcement arose from a defence ministry report submitted to parliament last month. Its release follows last week's state visit to India by Mr Jiang Zemin, China's president, during which both coun- hy the US and Pakistan, superpower.

long-term, enduring relation-ship and announced a series of confidence-building measures for their 3,000km, still-disputed

Agni has the longest range of the five missiles India has been developing under its Inte-grated Guided Missile Programme, begun in 1983 with an investment of around \$800m.

The missile would theoreti-cally be capable of reaching all parts of the sub-continent from India and much of western China. "The Agni is fundamentally India's deterrent against China," said Mr Brahma Chellai, e defence analyst with the Centre for Policy Research in Delhi.

Indian defence analysts say the missile has never been tested to its full range or pay-

India'e development of both the Agni and the smaller mohile-launched Prithvi

Indian officials said last year would bring into service the Prithvi, a weapon that can carry a 1-tonne payload up to 250km. India is believed to have produced more than 15 missiles, which analysts consider are more effective as second-strike conventional missiles than as e nuclear delivery system.

India's missile programme is consistent with its posture of nuclear ambiguity, in which the country claims the capability to make and deploy nuclear weapons hut declares no present intention of doing so. India tested a nuclear "device" in the Rajasthan Desert in

Delhi has argued that its national security depends on euch nnclear ambivalence, given the similar posture taken by Pakistan, with which it has fought three wars since independence, and China's missile have been criticised existing status as a nuclear

# **British Gas ends row with BP** over N Sea contracts

By Robert Corzine and Jane Martinson in London

British Gas yesterday announced a £250m (\$400m) deal with British Petroleum that marks a first step towards ending its bitter row with North Sea gas producers. At issue is the future of tens

of billions of pounds of "takeor-pay" contracts under which British Gas most pay for gas whether or not it uses it. The company also released

details of the planned demerger which will lead to the creation of a listed company, Centrica, containing the domestic gas supply, trading, service and retail divisions. The agreement with BP was

the first sign of progress in resolving the most intractable problem that has arisen as part of Britain's ambitious plans to open its gas market to full competition by 1998. The renegotistion of con-

tracts with BP was announced by Mr Richard Glordano, British Gas's chairman and chief executive. Under the agreement, British Gas would pay

assets. In exchange, BP, one of covered "only 10 per cent of its largest suppliers, has the take-or-pay problem". agreed to terminate some supply contracts and to lower prices on others from 16p a therm to 14p a therm roughly equal to current com-

A similar deal has been struck between British Gas's North Sea production arm and its domestic trading division. The "aggregate compensation" amounted to £293m, the company said.

mercial prices.

The contracts, signed when British Gas was a monopoly, require it to pay for large amounts of gas it no longer needs. This is because its share of the commercial marclaims that without renegotiation, the problem could worsen markedly in 1998, when its last remaining monopoly to supply 19m households is lifted.

Other deals could be done before February 17, the date set for the demerger of the company, according to Mr Giordano. He said the agree-

BP £250m in cash and/or ments announced yesterday

The market generally welcomed the deal After rising strongly in early trading, British Gas shares closed up 31/2p at 217%p.

But some analysts were disappointed about the lack of more detailed information about the renegotiations. "They don't want analysts to work it out," complained one. Company executives said they would suppress as much information as possible about the deals to encourage other pro-

ducers to enter negotiations. Under the demerger plan. British Gas will be renamed BG plc. It will include the UK ket open to competition has pipeline system, as well as the prodoction arm and international gas operations. Among the list of new non-executive directors for the two groups was Dame Stella Rimington, former head of MI5, part of Britain's intelligence service.

Mixed signals, Page 22

### Albright to be first female secretary of state

By Jurek Martin in Washington

President Bill Clinton vesterday announced a new national security team for his second term, with Mrs Madeleine Albright, currently ambassador to the UN, as the first female secretary of state.

Mr William Cohen, the outgoing Republican eenator from Maine, will be secretary of defence. Mr Anthony Lake moves from White House national security adviser to the CIA and is succeeded by his current deputy, Mr Sandy Berger.

All except Mr Berger must be confirmed by the Republican-controlled Senate. Few problems are expected for Mrs Albright, whose hawkish Cuba is popular with conservatives, or for Mr Cohen, who served 24 years in Congress.

The choice of Mrs Albright. 59 and born in the former Czechoslovakia, follows intense lobbying by women's

However, she has always been on the short-list of likely successors to Mr Warren Christopher, together with former senator George Mitchell, now chief US negotiator in Ulster, and Mr Richard Holbrooke, who forged the Bosnian peace accords last year.

Mr Clinton said Mrs Albright's personal history meant "she knows at first hand what it means for America to be the most indispens-able nation". He also praised her ability to communicate foreign policy directly to the

The president emphasised his desire that his national security advisers continue to operate as "a team".

He thought Mrs Albright and Mr Cohen could further growth of co-operation between the administration and Congress on foreign policy. The secretary of defencedesignate, he said, was "the plummeted to about a third. It company's exploration and right man to secure the bipartisan support that the American armed forces must bave and that they deserve"

Talbott would stay on as depnty secretary of state and head her transition team. She turned to Mr Christopher and said: "I only hope my heels

## lowest point for three years and gold companies out of

Continued from Page 1 with projects in Peru and

Indonesia. It was also the first western company ectively to operate a mining operation in the countries formerly part of the Soviet Union. Analysts suggested that,

Newmont bids \$2bn for gold rival favour, Newmont had chosen a

good time to pounce. Santa Fe was spun off by its parent, the famous railway company, in 1989. It was floated on the New York Stock

market value. It has no domi-nant shareholder.

FT WEATHER GUIDE

Newmont is offering to exchange 0.33 shares for each Santa Fe share. It says these terms are worth \$15.68 a share compared with a price of \$11 before the bid was made.

groups.

US public.

Mrs Albright said Mr Strobe will fit into your shoes."

Mr Coben's nomination fulfils Mr Clinton'e post-election promise to appoint a Republican to his Cabinet.

A seamless transition is expected at the national security council between Mr Lake and Mr Berger, previously a Washington trade lawyer. But Mr Lake could have a rough early baptism at the CIA, rocked twice in little over a year by revelations about Rus sian "moles" in its midst.

### **Europe today**

High pressure will bring calm and dry conditions to the central and southern British Isles. Parts of England may have patchy fog. The north-west will be rather cloudy with showers. Thick cloud and patchy drizzle will stretch from souther Scandinavia across the Benelux to France, Low pressure on the northern coast of Spain will bring tomential rain to the coast, snow in the mountains and showers on the plains. Portugal will stay dry with ample sunshine in the south. A high over Russia will promote calm conditions with bright sunshine in Italy and Greece. Central and eastern Europe will be dry with some

Five-day forecast

A front associated with the low in Spain will gradually push eastwards, bringing torrential rain to Italy from Sunday. North-western, central and eastern Europe will be calm and dry. Most of these areas will also turn colder.

TODAY'S TEMPERATURES



Beijing Beitzst Beigrade Bermuda Bermuda Bogota Bombay Brussels Budapest Chagen Cairo Cape Tov

Lufthansa

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THE LEX COLUMN

Hiving Hughes While Europe's defence industry

fiddles, its US counterpart is reshaping itself at lightning speed. Only the day after France had to suspend Thomson's botched privatisation, it emerged that General Motors has told Hughes Electronics to put its \$8bn-\$10bn defence and aerospace division up for sale. To European eyes, the notion that

Hughes could auction its traditional core business - built by the legendary Mr Howard Flughes - may seem shocking. But, in a rapidly consoli-dating industry, it has become just a mid-sized competitor. Such rationalisation poses a clear threat to Europe'e smaller, splintered indus-

GM is returning to its automotive roots. This year it has already spun off EDS, the information technology company it acquired in the 1990s when it also bought Hughes. At the time, these purchases seemed a sensible way to cushion GM's highly cyclical earnings stream. in fact, they merely cushioned the automotive group's management from pressure to react to intensifying Japanese competition.

Though GM is now focused on its automotive problems, there is a long way to go. The logical next step would be to slim down further by demerging the rest of Hughes, essentially a successful satellite business. It could also make sense. to spin off Delphi, GM's eutomotive component business: GM would be able to shop around for cheap supplies, while an independent Delphi should sell more components to raising returns through further GM's rivals.

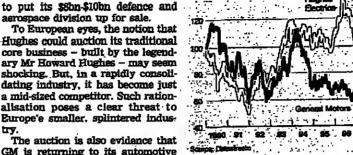
### German equities

The German stock market is having a storming 1996; yesterday's all-time closing bigb caps an increase of nearly 30 per cent this per cent against the dollar since-July - is helping exporters; and continued economic weakness, as reflected in November's record unemployment figures, makes this one of the few European countries gambling on a recovery in bullion where investors expect another interest rate cut.

These short-term prospects are which recently agreed to legalise

FTSE Eurotrack 200:

Share prices relative to the S&P Composite



France when it comes to promoting menness and shareholder value. As this week'e strong results from Degussa and Porsche show initiatives to set financial targets, cut costs and focus on fewer activities have spread far beyond the likes of Hoechst and Damler-Benz.

Corporate earnings growth is expected to average 15 per cent in each of the next two years. Yet on 1998 figures, the stock market trades on an average multiple of five times enterprise value lo operating cash flow, against 6 times for France and 61/4 times for the UK and Holland.

Compared with the overblown valuations elsewhere, a relatively low rating and the huge scope for restructuring leave the German market looking attractive.

### Gold

Not everyone, it seems, is disap-pointed by this week's slump in the gold price to a three-year low. Newyear. And there are plenty of rea-sons for continued optimism. A fall-ing D-Mark - it has lost nearly 6 the weak gold price. This has mont Mining'a bid for Santa Fe Pacific Gold clearly has its roots in driven Santa Fe's share price down from a high of \$17% earlier this year to around \$11 just before the offer Still, if Newmont were simply

prices to justify its bid of nearly \$16 a share, it would probably be mak-ing a mistake. There is little reason underpinned by the broader themes of deregulation and restructuring. fallen more than 10 per cent since Both the German government, its January peak, has found a floor. Recently, the slide has accelerated, share buy-backs, and German com- driven by record net short positions

turn has galvanised a spate of panicky forward selling by producers. especially from Australia, trying to lock in prices before it is too late. The final twist has been the spate of rumours of central bank sales linked to the view that European countries trying to qualify for monetary union will sell some of their

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Fortunately, Newmont's thinking is not merely hased on hullish hopes for bullion. The merged company would have larger reserves meaning investors would view it more as an ongoing business rather than a wasting asset. But this should not obscure the raft of structural concerns swirling around the market. These do not augur well for

### British Gas

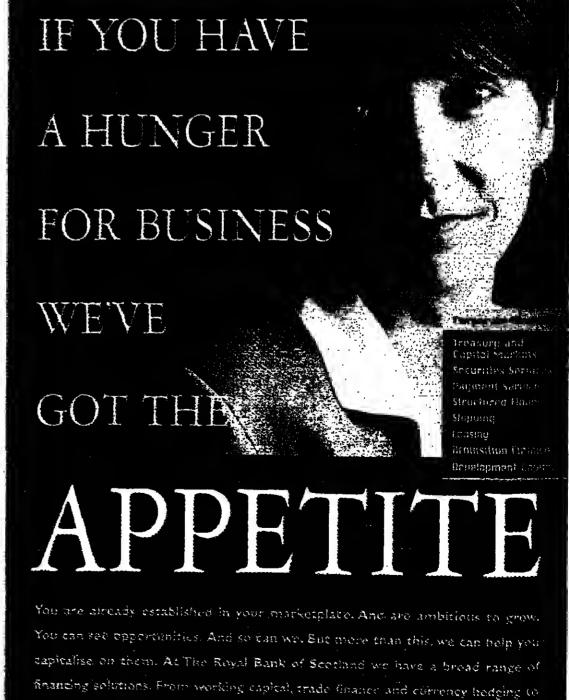
For all yesterday's excitement at British Gas's first renegotiation of its infamous "take-or-pay" gas con-tracts, investors should not forget that renegotiation is only good news if it makes BG better off. This is not a straightforward judgment And since the deal details are being kept secret. BG shareholders have little more than guesswork to go on. Still, there ere some clues. BG is

believed to have paid around £250m to British Petroleum, its contract partner, If one assumes BP has accepted in return an average price cut of 2p a therm on 15bn therms of gas, its headline sacrifice is around.

This will be spread over several years, so the real figure will be significantly lower. BP's claim that the effects are neutral - even before tax benefits - probably stacks up. BG, in short, seems to have failed

to persuade its partner to share any pain - which is not surprising, as there is no reason why gas produc ers should bail it out, Still, BG has at least gained something by taking action before next year's demerger. While the company is still integrated, the large tax loss from renegotiating the contracts can be offset against the coplous profits from the rest of BG's business. And the cost can be laden onto the parent company's undergeared balance sheet. BG therefore needs to do as much as possible before the business which controls the contracts is split off: vesterday's only real good news was the evidence that it is finally getting a move on.

Additional Lex comment on

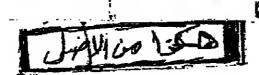


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# **FINANCIAL TIMES COMPANIES & MARKETS**

Friday December 6 1996



### IN BRIEF

### TCI to reduce **staff by 6.5%**

Tele-Communications Inc, the USA's largest cable television operator, is to cut its workforce by 6.5 per cent and review all expenses not directly related to serving customers. About 2,500 employees from its corporate headquarters and field offices will go. Page 18

NordLB plays down talk of merger Norddeutsche Landesbank, the German regional bank, sought to talk down reports of a merger with Bankgesellschaft Berlin (BGB), saying that there was no need for a full-scala merger, which would create Germany's biggest bank. Page 16

Record year lifts Opic hopes The Overseas Private Investment Corporation, the US agency that promotes foreign investment and narrowly avoided the congressional axe this year, announced it had earned a record

\$209m profit in the year to October. Page 19 GrandMet boosts spirits sector Tha "recovery" of world spirits markets gained credibility with the results from Grand Metropolitan, the UK drinks and food group. Its operating profits from drinks rose 4 per cent to £471m (\$772m) with pre-tax profits up 5.8 per cent to £965m for the year to September.

Hanson's conglomerate era ends Hanson delivered its final set of results as a conglomerate with a whimper, unveiling underlying profits down 9.6 per cent to £1.2bn. At the pre-tax level, the results for the year to

October 1 were bolstered by £633m of exceptional gains on disposals. Page 22 Gold market rife with speculation The gold market was awash with rumours that

a European central bank had been selling gold overnight. Traders suggested 600,000 ounces (18.7 tonnes) had been sold, followed by beavy selling by investment funds. At the morning "fix" in London, gold's price was \$368.30 an ounce, just above the three-year low reached on Tuesday. It stood at \$370 by the close, Page 26

16 KLM

20 Kolbenschmidt

1 Liberty Brokerage

20 Lockheed Martin

London Clubs

20 McDonnell Douglas

Morgan Guaranty Tist

Northrop Grummer

Peugeot-Citroën

Prebon Yamane

Raytheon

Repsol

Reed Elsevie

Rhône-Poulond

Smithkine Beechart

SSY Group

Seegram

Solges

TCI TVNZ

18 Telstra

Pharmacia & Upjohn

Opic

2 Lagardère

### Companies in this issue

ABB
Acer Sertek
Aérospatiale
Alcatel Alsthorn
Australis Media
BGB
ESIA E

British Gas

Caisse d'Eperan Cerus Chrysle Cofir

Continental Airlin Corlmon Credit Lyannels Delta Air Lines Dickson Concept

Europharm Fairbank

GUS

Hey & Robertso Hughes Electron

K&H Bank

8 Vodohospodarska **Market Statistics** https://www.FT.com FTSE Actuaries share indices

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hurting profits. Some analysts slashed profit stimates by as much as £70m for this year following Reed's Ms Lucy Whittome, analyst at James Capel, took 7 per cent off her full-year forecast - 4 per cent for currency and 3 per cent for other factors - reducing it £890m. At Salomon Brothers, Mr Richard Dale dropped his from £904m to

By Raymond Snoddy and Peter John

However, Kleinwort Benson said it might pare only \$10m-£15m off its £940m pre-tax forecast. It pointed out that currency trends could change and Reed was already heavily into electronic publishing.

**Reed Elsevier issues warning** 

mation group warned that the recent strength of sterling was In a statement, Reed said it was maintaining good organic growth and was confident about the outlook for the year.

It said that the recent marked strengthening of sterling against its main trading currencies would reverse a 2 per cent headline profit gain in the first half, although the fullyear impact would be broadly It also observed that suitable acquisitions were proving hard

to find and indicated it would

accelerate its drive into electronic publishing. Some analysts thought this would increase capital expenditure in the short term.

The shares fell 64%p to £10.87%.

If exchange rates for dollars and guilders - in which Reed earns about half its pre-tax profits - remain at their present levels throughout 1997 "there will be an adverse currency impact of about 4 per cent on the 1997 Reed Elsevier combined pre-tax profit", the company said.

It noted that in 1996 electronic publishing will represent nearly one-fifth of reve nue, compared with very little

# GM puts Hughes Aircraft up for sale

OTHE FINANCIAL TIMES LIMITED 1996

Merger talks between aerospace subsidiary and Raytheon collapse

General Motors has put the defence and aerospace division of its subsidiary Hughes Electronics up for sale following the failure of merger talks between Hughes and its aerospace competitor, Raytheon. It wants to see an auction com-

pleted by early 1997. The business for sale speci-alises in missiles, radar and military electronics. It is likely to be worth \$8bn-\$10bn. Several large US defence

McDonnell Douglas, which are both looking for defence electronics businesses, would be leading contenders. Raytheon is also likely to re-

enter the bidding to try to prevent a close competitor being A possible wild-card entry could come from industry leviathan Lockheed Martin, which has said that it wants to digest

recent acquisitions and reduce

debt, but has also said it would

ders. Northrop Grumman and not pass up strategic opportu-McDonnell Douglas, which are nities. because agreement could not be reached about the role of

General Motors' board decided to put Hughes Aircraft, the Hughes division which contains most defence assets and accounts for about 40 per cent of Hughes Electronics' turnover, up for sala a month ago.

The decision followed the collapse of year-long negotiations between Hughes and Raytheon over the business. Thesa were ended partly

equipment. Hughes would also a natural fit with executives following any deal. E-Systems, which Raytheon General Motors wants to sell bought last year.

However, it is likely to face

strong competition from

being squeezed in their tradi-

because it has been trying to shed non-automotive busi-McDonnell Douglas and North-rop Grumman, which are nesses and because the price of defence businesses has risen in the past two years as the US industry has consolidated.

Raytheon would be a natural buyer for Hughes Aircraft. bacause the two both make air-to-air missiles for the Pentagon and air traffic control

tin would also be interested in Hughes's radar and missiles operations and could decide that the opportunity was too

important to miss. Hughes Electronics yester-

day declined to comment. While executives say privately that Hughes will not sell the business unless the price is right, the level of interest makes a deal highly

tional markets of aircraft manufacture. Both are looking to Hughes would also have to resolve a large tax liability on any sale, which could be replace this business with electronic warfare, command and control, and systems integraavoided if a deal was struck tion businesses. Lockheed Mar-

# News Corp link with Japan in music venture

By Gwen Robinson in Tokyo and Alice Rawsthorn

Mr Rupert Murdoch's Naws Corporation will today announce that it is joining forces with Mr Tetsuya Komuro, one of Japan's most successful record producers, to form a music and multimedia The company, a joint ven-

ture, will release records, CD-Roms, and other entertainment software products throughout Asia, giving News Corp an entrée to one of the fastest growing areas of the music market. The news of Mr Mordoch's

move into music, one of the few areas of the entertainment industry where News Corp does not already have substantial interests, has fuelled romours that he may bid for EMI, the UK music group. EMI, which includes the Beatles and Spice Girls among

its artists, is the only one of the world's "big five" music companies not owned hy a group. Speculation about its future

its former parent. News Corp has long-been touted as a potential bidder, alongside other North American entertainment groups including Seagram. Walt Disney and Viacom.

Mr Murdoch has made secret of his interest in the music sector; but until now has concentrated resources on expanding News Corp's prespay-TV.

Last month his youngest son, James, 23, was appointed News Corp's vice-president of music and new media.

News Corp simultaneously announced the acquisition of Rawkus, the New York record label founded by Mr James Murdoch. The joint venture with Mr

Komuro, who made his name as a producer of the "techno" dance music that has become a craze among young Japanese in the 1990s, is News Corp's first music investment since

It already has shareholdings in Festival and Mushroom, two Australian record labels. However, News Corp has a strong presence in Asian music broadcasting through Channel [V], the Hong Kongbased video music channel. Mr Komuro, 37, founded and

now runs Orumok, a Tokyobased techno record label, and bas masterminded the career of Namie Amuro, the Japanese He has also collaborated on

various CD-Rom projects and hosts a talent show for aspirhas intensified since this suming pop stars on Japanese tele mer's demerger of Thorn EMI, This autumn. Mr Komuro

clashed with the Tokyo tax authorities when he was ordered to pay Y55m (\$483,000) for failing to report Y110m of income from albums produced in 1994. He claimed the money was earnt by his company, but the tax bureau decided it was personal



Rund Gullit, the Dutch football star who is player-manager of the English club Chelsea, is to have a range of leisure clothing named after him in the first attempt by 8 company to huild a brand around a football player. Page 22

## Government to cut stake in Kl

By Gordon Cramb

The Dutch government is to cut its stake in KLM to 25 per ened some of the positive ordinary shares involved are ing a parcel of shares back to the airline, in a deal worth as much as Fl 1bn (\$570m).

KLM said it would then cancel the shares, improving earnings per share by some 20 per cent after the complex deal is concluded by next June. The airline has been seeking ways to boost its financial performance in spite of rising personnel and fuel costs and its failure so far to secure a place in a global industry alliance. The carrier is to pay for the share buyback from its own

funds, although its deht to equity ratio will rise to 1.3 from 0.95 as a result. Concerns over this higher gearing dampgod among investors KLM shares, up 7.5 per cent at closed the day Fl 2.10, or 4.6

per cent, higher at F1 47.30. In a formula based on the weighted average market price prevailing over four days from next Tuesday - less a 2.5 per cent discount - the government is to receive between FI41 and FI49.33 a share. The upper limit is equivalent to the airline's net equity value per share at the end of its latest quarter. The deal falls through if the volume weighted aver-

age over the four days emerges at below Fi 41 or above Fi 56. The process contains a number of steps. First, the 17.29m to be converted into a special class of stock. This will allow KLM to circumvent rules preventing the repurchase hy a company of more than 10 per. cent of its equity in any year.

for the offer to be extended to other shareholders. KLM said it would seek no further buyback hefore next July, while the government added that it intended to maintain its remaining 25 per cent stake until at least March 1998.

The state is also accepting a

Along with the discounted

price, this should mute calls

classes of KLM share it will retain. Although it is not demanding its full entitlement from the capital reduction, it wili still receive some F1 176m in compensation from the manoeuvre. This takes its total proceeds to FI 900m-FI 1.045bn.

The government will also amend an agreement under which it is entitled to commandeer a majority voting interest through the purchase of further preference shares. It said that would in future be exercised only if required for reasons of aerospace politics. Finally, the state is to sur-

render its majority on the carrier's supervisory board of non-executive directors.

# Cofir set for shake-up after sale of De Benedetti stake

By Tom Burns in Madrid

Cerus, the French group owned by Mr Carlo De Benedetti, the Italian financier, yesterday sold its 48 per cent stake in Cofir, paving the way for the Madrid-based holding company to restructure itself as a hotels and wines group.

The Ptal6.2bn (\$124m) sale to more than 70, mainly UK-based, institutions was co-ordinated by Schroders, the UK merchant bank. Cofir, which was created by Cerus in the late 1908s, now has one of the widest shareholdings among companies quoted in Madrid as it was already 30 per cent owned by institutions.

Six Cofir directors - half the board - who were linked to Mr De Benedetti resigned yesterday and will be replaced next week. Mr Gabriels Burgio,

Reed Elsevier shares fell 5 per

cent yesterday after the Anglo

Dutch publishing and infor-

architect of a profitable entry into the Rioja wine sector, will remain at his post. The sale reflected a price of Pta404 for Cofir's shares slightly below their close yes-

terday. The price was well below the Pta600 per share that Mr De Benedetti had reportedly sought.

Cofir's shares had risen to a peak of Pta478 in June but had slumped to Pta317 by October, reflecting Mr de Benedetti's difficulties at Olivetti, the Italian information technology The partial hreak-up will

involve the sale of the Retail Investment lossmaking distribution group, which is based on supermarkets in north-west Spain. Cofir will also start withdrawing from its property interests which include a controlling stake in Sotogrands, a golf centre and leisure

complex near Gibraltar Coffr will concentrate on its more profitable assets: NH hotels, the leading domestic city hotel chain; and Berberana, one of Spain's top win-eries. The new shareholder base lends considerable financial muscle to Cofir and suggests that it will be able to consider increasing its capital.

"This was a research-driven sale that emphasised the valua of NH and Berberana and Cofir in which it would no longer act as a diversified conglomerate," said one analyst.

As a conglomerate. Cofir was trading at a deep discount. estimated at some 30 per cent, analysts believe the concentration on hotels and wines will deliver good multiples to

# Deutsche

Congratulations to Deutsche Telekom AG on its DM20 billion Initial Public Offering



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acted as financial adviser to Deutsche Telekom AG

November 1996

# Spain paves way for second telecoms group

By Tom Burns in Madrid

The Spanish government yesterday gave the green light to a second domestic telecoms operator by authorising the transformation of Retevision, the etate-owned TV Telefonica's current market price. signals transmitter, into a basic telephony company.

in a second deregulatory move expected later this month, the hrings Global One, the alliance government will invite bids for 80 per cent of Retevision's equity. The launch of Retevision comes ahead of the full privatisation of of Spanish hanks and electric directives for the telecoms

domestic telecoms group.

The sala of the government's remaining 21 per cent stake in the national operator is scheduled for February next and the disposal is worth some Pta560bn (\$4.3bn) at and to have the company

The only consortium that has so far indicated an interest in Deutsche Telekom and Sprint, the US operator, together with a group Telefónica, Spain's existing utilities, led by Banco Central

Hispano and Endesa, the large government-owned generator.

The government wants to complete the partial privatisation competing with Telefónica in April.

The timetable will give the second operator a degree of leeway acquiring Retevision is one which in order to consolidate its husiness ahead of the full deregulation of formed by France Télécom, the domestic sector late in 1998 which is when Spain plans to implement the EU's open market

As well as providing an early entry into the domestic market, analysts believe the main Spanish satellite, have been valued attraction of Retevision for foreign of Retevision in March next year groups is that it is already a fully operating transmitter, with 1,200 employees and 1,800 signal stations providing nationwide audio and

> visual services. It has widened its television support role to provide signals for a number of clients including Airtel, the second domestic cellular phone operator, and British Telecom's data transmission

> > By Andrew Jack

French hanks face the

prospect of a substantial

shake-up after the Caisse

d'Epargne savings network

yesterday unveiled proposed

changes to its statutes, and

the country's finance minis-

ter said that he had set up a committee to consider how

to ramove competitive

The Caisse d'Epargne,

which is governed according

to nineteenth-century chari-table statutes and has no

shareholders, said it planned

to convert its 34 regional

savings banks into co-opera-

tives, whila creating aepa-

rate foundations to maintain

Separately, Mr Jean

Arthuis, finance and eco-

nomics minister, told the

Financial Times that he had

appointed Mr Dominique de

La Martinière to produce

changes to the banking

The Caisse d'Epargne has

been subject to increasingly

bitter criticism over the past

few months from France's

commercial hanks, which

argue that its lack of outside

investors gives it no incen-

Last year, it generated just

recommendations

its social objectives.

distortions in the sector.

Tha company's assets. which include 34 per cent of Hispasat, a at Pta64hn. It is forecast to make a net profit of Pta2.1bn this year on sales of Pta35bn\_

Retevisión however faces the daunting task of breaking into a domestic industry that is dominated by Telefonica. in what will be its last full year as the monopoly provider of basic telephony services. Telefonica is estimated to post a net profit of Pta179bn this year, up from Ptal33bn in 1995.

ings for the first time.

Criticism of the Caisse

d'Epargne's lack of capital

contributed to its reluctance

to bid for two state-owned French banks np for sale: Marseillaise de Crédit and

The Caisse d'Engrena said

that it had ruled out its con-

version into a conventional

corporation, and stressed its

desire to maintain its social

objectives while playing an important role in the French

Its recommendations must

now be submitted to the gov-

ernment, and will be subject

to a vote at an extraordinary

They are likely to provoke

considerable debate. French

commercial bankers yester-

day criticised the proposals

and said the profits earned by the Caisse d'Epargne

should he handed back to

Meanwhile, Mr Arthuis

said that Mr de La Marti-

nière - who earlier this year

chaired a working party on

the tax system, which led to

rapid legislative change -

would be rapidly producing

recommendations on what

the government could do to

eliminate distortions weak-

Mr Arthuis said that he

was not an enthusiast for

legislation, but there was "probably" a need to reform

the 1937 labour decree which

severely restricts banks'

ahility to increasing more

Similar recommendations

were made last month by an

influential report from the

French senate finance

flexible working hours

ening Freoch banks.

banking sector.

general meeting.

the state.

France faces

banking sector

shake-up in

### EUROPEAN NEWS DIGEST

## Cost pressures hit Kolbenschmidt

Kolbenschmidt, the German engine components business yesterday blamed continuing cost pressure in its core car component market for a fall in pre-tax profit in the year to September, to DM60.7m (\$38.8m) from DM63m the previous year. Sales fell to DM1.32bn from DM1.34bn. We've achieved a decent result under enormous cost pressure in a difficult market," Mr Heinrich Binder, chairman, said.

Kolbenschmidt said it was planning to resume a dividend payment for the year, but did not provide details. The company last paid a dividend, DM4 a share, in the year to September 1991. Kolbenschmidt said it expected to strong growth in the coming years through "considerable" investments.

### Repsol in talks with Solgas

Repsol, the Spanish energy company, was in talks to acquire 60 per cent of the Peruvian butane gas company Solgas for about Pta6.5bn (\$49m), sources close to Repsol said. The talks were at a "very advanced" stage, the sources said. Solgas, which was privatised in 1992, has a 56 per cent share of the local butane gas market. Mr Alfonso Cortina, Repsol chairman, said last month the company planned to invest \$230m in Peru over the next AFX-News, Madrid

### Pharmacia drug trial complete

Pharmacia & Upjohn, the Swedish-US pharmaceuticals group, said it had completed clinical trials of its highly-rated anti-incontinence drug, tolterodine, and would file applications for regulatory approval within two months. It said the trials, involving more than 2,000 patients in Europe, North America and Australia, indicated tolterodine "would fill a significant market

Mr Goran Ando, executive vice-president, said: "We have a drug which is clearly effective, as well as well-tolerated." Mr Ando said applications for registration of tolterodine tablets would be filed in the US, Sweden and the UK by early next year, Pharmacia & Unjohn said two new therapies - an eye disease treatment, Xalatan, and an anti-colon cancer agent, Camptosar - launched in the US after mid-year had met rapid market acceptance. Sales of Xalatan were \$20.6m to end-November, whila Camptosar revenues were \$41.1m. The shares rose SKr5.5 to SKr268.5 amid strong gains for pharmaceutical shares on the Stockholm bourse yesterday.

Greg McIvor, Stockholm

### Hungary to launch bank sale

Hungary said yesterday it would sell off one of the last large commercial banks in state bands by the end of May. APV, the privatisation agency, said it would launch a two-round tender for Kereskedelmi es Hitel Bank (K&H Bank) in January.

The state, which owns 87.8 per cent, is aiming to sell at least 25 per cent of the shares and plans a capital increase of no less than \$40m. A stake of up to 30 per cent of the present capital is also to be given to the state health and pensions funds. APV hopes to finalise the sale of an 89 per cent stake in Magyar Hitel Bank, another leading local bank, to ABN Amro for \$89m this month. Analysts say Hitel has a stronger management team and a more focused strategy than K&H, which has a diverse equity and loan portfolio and still requires considerable Virginia Marsh, Budapest

### CFPI stake 'not hostile'

Rhône-Poulenc, the French chemicals conglomerate, said it had "no hostile intentions" towards CFPI, the agrochemicals company in which it has built up a 28.4 per cent stake since the start of November, becoming the single largest shareholder. "Rhône-Poulenc and CFPI have had a relationship of collaboration and competition for the past 10 years", particularly in herbicides and growth control products, CFPI said.

AFX-News. Part

Comments and press releases about international

# Peugeot shares slip as Michelin cuts holding

By David Owen in Paris and Haig Simonian in London

Shares in Peugeot-Citroën, the French car group, fell sharply yesterday after Peugeot family interests Michelln, the tyremaker. sold a 2.6 per cent stake in the company.

Michelin said it had sold about 40 per cent of its holding in Peugeot, or some 1.31m shares, to institutional investors for FFr614 a share - a discount of FFr24 to Wednesday night's closing price of FFr638. Pengeot shares fell FFr16, or 2.5 per cent, to close at FFr622 yesterday. Michelin shares dropped FFr1.40, or 0.5 per

cent, to FFr277. Michelin said the FFr804m (\$152.35m) proceeds would enable it to 'pursue the reinforcement of its financial position" by reducing its heavy debt. The sale did not mean Michelin thought Peugeot-Citroën shares were no longer a good investment. Michelin had net dehts of FFr23.2bn on June 30 1996. This gave it a net debt to equity ratio of 121 per cent, or 197 per cent if FFr4.9bn of subordinated debt were considered as debt rather than

The tyre company has longstanding links with Citroën, having taken control of the company in 1934. The merger between Peugeot

and Citroen dates from 1976. After yesterday's sale Michelin will retain 3.5 per cent of Peugeot's capital and 5 per cent of its voting rights. retain just over a third of the

voting rights. Separately, Peugeot denied reports that it was in talks to sell its 22 per cent stake in a Chinese carmaker in Guangzhou to Opel, General

Motors' subsidiary . Mr Jacques Calvet, chairman, yesterday said the Chinese car market had been in difficulties, particularly after the government's latest credit squeeza which had sharply reduced demand.

The Guangzhou plant was one of the first joint ventures between a western carmaker and local interests. However, it has never lived up to expectations. Various commercial and cultural difficulties meant total output had only been about 100,000 units since starting business in 1986.

Peugeot-Citroën denied it was planning to sell its stake in the venture, which builds Peugeot 504 and 505 saloons, to concentrate production at a new Citroen plant in the central city of Wuhan. Analysts said that while a shift was possible in the longer term, it was not on the cards

Opel declined to comment



Jacques Calvet: credit squeeze had hit Chinese market

on the reports. However, the company is believed to be looking at further opportunities in China after last year's agreement by GM to form a joint venture to build. up to 100,000 large family cars a year in Shanghai.

Analysts believed GM,

vehicles, was more inter ested in engine capacity than additional car output. Some also expressed surprise that the company might be interested in Guangzhou in view of reported political differences

which also has a joint ven- and the ce ture for light commercial in Beijing.

between local administrators

tive to make a profit and encourages it to offer loans at extremely low margins. and the central government

> FFr1.7bn (\$322m) in profits on capital of FFr62.1bn. The proposals, which were approved on Wednesday by its governing body, would create shares for each of its 34 regional banks available to customers, employees and possible ontside investors. with up to 35 per cent

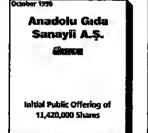
non-profitmaking founda-The change would ease other financial institutions,

remaining in the hands of

The National Assembly earlier this week announced the creation of its own alliances and takeovers with committee to study the

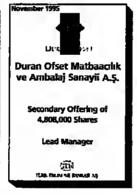
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"Most trusted investment bank in Turkey". Euromoney Magazine Poll. October 1996



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# NordLB plays down talk of merger

By Frederick Stüdemann in Berlin

Norddeutsche Landesbank, the German regional bank, yesterday sought to talk down reports of a merger with Bankgesellschaft Berlin (BGB) and said that while the institutions could work well togather in certain areas there was no need for a full-scale merger.

Mr Manfred Bodin, NordLB chairman, said: "NordLB will remain in its current form. There will be no fusion." Instead NordLB preferred to talk of an "alliance" of the two banks which in terms of balance sbeet assets would together be Germany'a second-largest

areas - investment banking. overseas operations and the handling of corporate clients in which a joint approach would make sense. NordLB and BGB together already run mortgage hanking move which would see Hanoperations and a back-office over's role as financial cen-

data processing company. NordLB also owns a 15 per cent direct equity stake in BGB and through a 25 per cent stake in Gothaer Beteiligungsgesellschaft, the invastment arm of the Gothaer insurance group, an indirect holding of 2.5 per

Mr Bodin's remarks reflect tha political sensitivities about a merger of the two banks. Both are largely owned by the governments

Mr Gerhard Schröder, minister-president of Lower Saxony, which holds a 40 per cent stake in NordLB, said last month he opposed any

gave their consent to a stepping up of negotiations.

tre reduced. The two banks have been October the city of Berlin, which owns 56.8 per cent of BGB, and Lower Saxony

Now we are in the pro-cess of determining what makes husiness sense," Mr Bodin said. But there had been no concrete decisions. NordLB said it expected operating profits after provi- property sector.

Mr Bodin identified three of four Länder, or regional sions to fall in 1996 by 113 per cent to DM400m (\$256m). costs, largely caused by investment in data process-

ing systems, the bank said. Provisions would dip by bank forecast a 3.5 per cent increase in net interest income to DM1.69bn and a 9 in talks for some time. in per cent rise in commission income to DM250m. Administrative costs are forecast to grow by almost 10 per cent to DM1.2bn this year.

Earlier this week BGB announced it had increased its provisions for this year to DM2.2bn in the light of the poor economic development in the Berlin-Brandenburg

# ABB opens SFr100m turbine test centre

By William Hall in Zurich

ABB, the international engineering group, has invested SFr100m (\$75m) in what it claims is the world's largest gas turbine test

The centre at Birr, in northern Switzerland, which technology on site at the was opened yesterday, can test new turbines under

realistic operating condi- ing importance of cost- tion business, said the centricity to the Swiss national

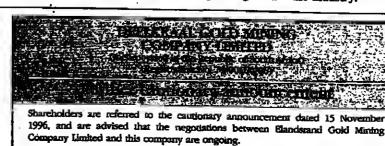
The investment reflects the rapid change in ABB's customer base for gas turtested advances in turbine power stations of traditional utilities. However, the grow-

tions and will supply elec- conscions independent tre would allow ABB "to higger, turbines has high-lighted the need for turbines Earnin whose reliability can he start generating electricity.

power producers and the develop the technology of trend towards fewer, but the future much faster than Earnings at ABB's power

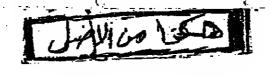
generation business in the bines. In the past, ABB guaranteed from the first nine months of 1996 moment the power plants were well below those of the Mr Armin Meyer, who reflecting overcapacity in heads ABB's power genera- the industry.

BANQUE NATIONALE name for the taxus Doi: Instruments U3D 10,000,000 Fleating Rain Malus due 2004 Series 22 Transle 1 Notice to hereby given that the rate of interest for the period from December Gift, 1998 to June Stn., 1997 has own fixed at 5.54906 per cent, per annum. The chapter amount due for this nod is USD 2,805.36 per de DND Tim Fiscal Agest
Escaper Harifoccate de Parte
(Laptembeurg) S.A.



Shareholders will be advised as soon as possible of the details of the negotiations, and should, in the meantime, commue to exercise caution in their share dealings. A further announcement will be made in due course.

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Merrill Lynch on the value of long-term bonds.

With time—and only time—can a company build the fundamental foundation for success in Europe: long-term personal relationships, based on absolute trust. Over more than 30 years, Merrill Lynch has established contacts and nurtured associations throughout the region. From this history have come bonds that cannot be bought and cannot be done without. In Europe, as in the rest of the world, trust makes all the difference.

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AMERICAS NEWS DIGEST

# Time Warner board to face annual election

By John Authors in New York

All directors of Time Warner, the media conglomerate, are to face reelection annually, the company announced yesterday, in what was perceived as a significant victory

for shareholder activists. Time Warner has a "classified" board, meaning that directors' elections are staggered. Large pension and labour union funds had been campaigning on the issue, and the move by Time Warner, whose corporate governance procedures have long been a target for criticism by

It also helps to improve market chief executive, said: "While the sentiment toward the company after its acquisition of Turner Broadcasting this year. Institutional investors had been critical of the high fees paid to intermediaries during the deal, and the high proportion of the company's stock reserved for employee stock option

The move is also part of e long campaign to reform the company's governance to contend with the legacy of attacks on the high compensation paid to executives under the company's former chief execu-Mr Gerald Levin, Time Warner

classified board served us well, we have now concluded that it is no longer necessary and that shareholders should have a chance to yote on the entire board each

Ha added that the company had "been on a steady course toward enhancing our governance procedures" over the past three years. The board had already been

the number of insiders. Director pension plans had been eliminated, and a retirement age institutional investors, is regarded tive, Steve Ross, who died in 1992. had been introduced for directors, which was 2.5 times the combined

restructured, reducing its size and

response to shareholder pressure. Investors, which represents the largest US pension funds and other in my life been with a board so corporate investors, last year devoted an entire newsletter to a list of its criticisms of Time Warn-

appropriate time to make tha

change, in the wake of the Turner

er's corporate governance. Excessive executive pay under complaint. Grievances included Mr Ross's earnings of \$78.2m in 1990, salaries of the 605 members of the

Time Warner said that it was an publishing division laid off in that

It quoted one director who on acquisition, and denied it was a resigning from the board of Warner in 1987, described his fellow direc-The Council of Institutional tors as "myrmidons" and avestors, which represents the "stooges", claiming: "I have never subservient to the chairman or the chief executive.

It also complained of the provision in Ross's contract which guaranteed that the payment of his sal-Steve Ross was the main cause of any and bonuses would continue for three years after his death. According to the council, the bonuses were presumably based on

Henkel

Loctite

By Richard Waters

ants company.

it does not own.

control of

Henkel, the German

chemicals company, yester-

day won control of Loctite, the US adhesives and seal-

The two companies signed

a merger agreement after Henkel raised its offer to \$61

e share in cash, or \$1.3hn,

for the 65 per cent of Loctite

The price paid by Henkel

is \$5 a share higher than the amount it had first indi-

cated it was willing to pay,

and represents e 31 per cent

premium to the level at

which Loctite was trading

before Henkel revealed its

However, it emerged that

Loctite had received a rival

offer from an unnamed bidder by the Wednesday-auc-

tion deadline. That all-stock

offer valued the company at

The rival bid was condi-

tional on the merger's being

treated as a pooling of inter-

ests, a US accounting procedure that enables an acquir-

ing company to complete a

deal without creating good-

Such a condition is likely

to have been difficult for Loctite to meet given Henk-

el's existing 35 per cent

stake in the company, a per-

son close to the German

Yesterday's agreement fol-

lows a six-week tussle

between tha two sides, in

which Loctite had sought to

At \$61 a share, the final

offer values the US company

at about 20 times the aver-

age of its expected 1996 and

1997 earnings, according to

That represents a pre-

mium to the 17 price/earn-

ings ratio of the Standard &

Poor's 500 index as a whole,

but is in line with the ratio

which Loctite has enjoyed as

an independent company in

recent years, reflecting its

For Henkel, the acquisi-

tion brings a company with

extensive US and interna-

tional operations and a lead-ing position in air-drying

adhesives for consumer,

industrial and automotive

In a statement, Mr Robert

Fiondella, who headed the

special board committee set

up by Loctite to consider

bids, called the final Henkel

offer "excellent value for

greater growth prospects.

could raise from a sale.

company said.

will on its balance sheet.

wins

# TCI unveils scheme to cut workforce by 2,500

Tele-Communications Inc (TCD, the US cable-TV and entertainment company, is Mr John Maione, TCI's chief to cut its workforce by executive, and a group 6.5 per cent and review all expenses not directly releted to serving customers. agencies report from Colorado and New York.

The company said it was making the reduction in an effort to strengthen its financial performance, improve its weak stock price. its competitiveness and

The nation's largest cable television operator said it have crept up in recent would lay off a total of ebout 2,500 managers and other employees from its corporate headquarters and field offices.

The planned reduction is larger than industry observers had expected, with analysts looking for TCl to cut about 5 per cent of its

workforce. In a brief announcement, TCl said it would also implement salary reductions and pay freezes for senior executives unless the company met its business

a meeting this week between pany's hesdquarters in Englewood.

The cost-cutting programme is the latest in a series of moves designed to bolster TCI's disappointing financial performance and

In particular, Mr Malone has been sharply attacking TCI's operating costs, which

To improve cash flow. Mr Malone is pressing medis companies for better terms to carry their cable networks on TCl's far-flung cable Also, TCl said recently

that it plans to raise cable rates for consumers. TCl faces daunting challenges, including stiff competition from direct broadcast satellite television services whose popularity has grown faster than exparts had

TCI shares have recently Stock Market.

low of \$1114, but early yesterdey they were trading at

Some analysts were troubled by the idea of work-force cuts. "It is surprising for e company that is supposed to be laan," saye Mr John Tinker, an analyst at Montgomery Secu-

Mr Tinker wondered why TCI was "letting people go in an environment of reel competition" with telephone companies and digital satellite broad-

The cuts are expected be divided between tha Denver-based corporate staff and the field

Investors applauded TCI's announcement last Monday that it was considering tax-free spin-offs of Liberty Media and its international unit into separate companies. Liberty's shares climbed

by \$1% yesterday to \$27 in early trading on the Nasdaq



John Malone: sharply attacking TCI's operating costs

# Yield-starved investors take long view

IBM's 100-year bond caps a record year for high-risk debt issuance in the US

he prolonged buil market for US bonds has created problems for fixed-income investors. Yields are low, and the prospect of big price gains is limited. The benchmark 30-year Treasury - or long bond yield is back down to a meagre 6.5 per cent, in sight of last year's lows of just below

6 per cent. The answer: to take more risk in order to get slightly better yields and so, it is boped, outperform other bond fund managers. As a result, investors have turned their attention to very longdated corporate bonds, preferred stock and junk bonds.

Earlier this week, IBM issued the largest ever 100year corporate bond, bringing the total amount of "century bonds" to a record \$2.3bn so far this year, nearly twice last year's volume, according to Securities Data, which tracks new issues. The \$31bn of preferred stock issued in the US market in 1996 hos also exceeded last year's record of \$16bn, and junk bond issuance is at its highest level since 1993, with \$73bo of public and private deals so

All these instruments pay yield but also their high

**US interest rates** 30-year benchmark bond yield

1990 91 92 93

nary corporate bonds, to compensate for the extra risk taken by investors. In the case of 100-year bonds, the additional risk is the longer maturity: for preferred stock - which provides financial institutions with equity-type capital, but pavs investors a fixed rate of interest - investors rank below bondholders as creditors; and for junk bonds, issued by companies rated

greater credit risk. But investors' eppetite for these types of paper reflects not only their hunger for

3-month deposit rate

level of confidence. "No one higher interest than ordisees a recession in the next few years; the economic outlook is benign, and growth and inflation are moderate," said Mr Mark Seigel, head of debt syndicate at Morgan Stanley. Investors are sanguine

about the increased risk of 100-year bonds, pointing out that most of the value lies in the cash flow of the first few decades. "It's just another piece of corporate debt," said Mr Tom Poor, a managing director of fund management company Scudder. The long maturity does not add significant risk class of debt dries up". In fact, demand for these

types of securitles is so tive, "no-ona knows where strong that investors are willing to accept shrinking time, let alone in 100 years' Treasuries. In the preferred strategist. stock market, for example, of issuance in the last month, there has been e "dramatic compression" of spreads, according to Mr Selexperience of Wells Fargo. the West Coast bank, which tepped the market on November 20, paying 162 basis points more than the comparable US Treasury yield; the next day, it borrowed again, but this time the spread was down to 150 basis points. By November 25, when it returned to the market for a third time, it was able to pay just 125

basis points. But is investors' willingness to take more risk - and for increasingly smaller rewards - a sign of over-confidence? It has happened before - in the junk bond market of the late 1980s, and in the perpetual floating-rate note market in the mid-1980s - and both of them crashed when confidence ebbed.

appear justifiabla from a portfolio strategy perspecyield spreads, relative to US time", said one bond market

Even without a market crash, the fad for 100-year bonds, at least, may prove short-lived. Very long-dated bonds are extremely attractive as funding for compagel. This is illustrated by the nies because they provide equity-type financing yet the interest paid is tax-deductible. However, many expect that this loophole will be plugged early next year by a ban on bond issues longer than 40 years. Such as change could be introduced in the February 3 budget. It would have to be passed by Congress, but could be effective from the start of the

> Meanwhile, corporate America, just when it needs cash the least after several years of strong earnings growth, is awash with offers for cheap capital - so cheap that IBM, in spite of its \$7bn cash pile and only \$2bn of core debt, could not resist raising another \$850m of 100year bonds this week.

> > Tracy Corrigan our shareholders".

### Carp emerges as future Kodak head

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Landa State

Mr Daniel Carp, a 48-year-old executive who has spent his working life at Eastman Kodak, emerged yesterday as the eventual likely successor to Mr George Fisher as head of the US photographic company.

Mr Carp was named president and chief operating officer of Kodak, making him the clear winner from e two-way race which had also involved Mr Carl Kohrt. Both men had been members of a so-called chief operating office set up by Mr Fisher in November 1995. The Kodak chairman said yesterday the two executives "complement each other's strengths and work extremely well together". By naming Mr Carp president, though, Mr Fisher clearly marked him oot as the company's next head.

The timing of the announcement also appeared to signal that another milestone had been reached in Mr Fisher's efforts to turn Kodak'e fortunes around. Since joining the company three years ago, the highly-regarded former Motorola boss has focused Kodak's operations on its imaging business. This strategy has taken it out of pharmaceuticals and chemicals. He has also reshaped its operations to cut costs, and worked on building a new nanagement team.

management team.

The eppointment of a president, a position that has not existed at Kodak for some years, would allow Mr Fisher to stand back more from daily operations to concentrate on strategic issues, Mr Carp said. Mr Fisher also this week accepted a seat on General Motors' board, though the company said this would not reduce his involvement at Kodak. Mr Carp said: "George [Fisher] has two years to go on his contracts, but he will stay as long as necessary to be sure that the company is as well positioned as possible for the future." Mr Carp until recently ran Kodak'a European business from London, and has also been in charge of its Latin American and Canadian businesses. Richard Waters, New York

### Chrysler lifts buy-back target

Chrysler yesterday added another \$1bn to its stock buy-back programme, confirming the strong cash position that has already enabled it to repurchase \$2bn of its shares so far this year. At the same time, the smallest of the Big Three US automakers lifted its annual dividend from \$1.40 to \$1.60.

Yesterday's steps are the latest in a series taken in the 18 months since the company's biggest shareholder, Mr Kirk Kerkorian, attempted a buy-out of the company. Mr Kerkorian's complaints that Chrysler was amassing too much cash eventually prompted the company to announce previous buy-back plans, though it has held firm to its position that it needs cash reserves of \$7.5bn to cushion it against the next US economic downturn.

Mr Robert Eaton, chairman, said yesterday the increase in the share repurchase plan, which would double the potential repurchases next year to \$2bm, reflected earlier promises to return excess cash to the company's shareholders. He also indicated that the plan reflected the view of Chrysler's board that economic conditions would remain favourable for the company in 1997.

In all, Chrysler has bought 108m shares in the past two year, or some 13 per cent of the total. At yesterday's share price, its plans for further repurchases would cover nearly 8 per cent of the shares outstanding at the end of the third quarter. Chrysler's shares rose \$1%, or 4 per cent, to \$36% on the news, though they fell back later yesterday morning to \$35%. They are now trading around 75 per cent higher than their level at the time Mr Kerkorian revealed his buy-out approach. Richard Waters

### Good year for CIBC

Strengths in investment banking and brokerage, growth in corporate and consumer lending and lower loan losses enabled Canadian Imperial Bank of Commerce, tha country's second-biggest bank, to post a 35 per cent gain

from C\$296m, or C\$1.26. Assets at October 31 were C\$199bn, up 11 per cent. CIBC is raising its quarterly

income by 122 per cent to C\$528m in the year, helped by rising stock markets and strong underwriting activity, said Mr Al Flood, chairman. The core consumer and corporate banking business performed well, with healthy contributions from new and high-growth segments such as insurance, telephone banking and debit cards. Loan loss provisions dipped C\$200m to C\$480m and net impaired loans declined to C\$692m, or 0.5 per cent of total loans. About 27 per cent of the bank's earnings came from Robert Gibbens, Montreal

### Corimon offer to creditors

Corimon, the Venezuelan paints group, is moving ahead creditors, who have until December 13 to subscribe. Those difficulty with servicing its debt. Raymond Colitt, Caracas

Net profit was a record C\$1.37bn (US\$1bn), or C\$6.04 a

share, against C\$1.01bn, or C\$4.18, in fiscal 1995. Return on assets was 0.73 per cent against 0.64 per cent, and on equity 17.1 per cent against 12.9 per cent. Fourth-quarter net profit was C\$341m, or C\$1.50 a share, up 14 per cent dividend by 5 cents to 50 cents in January. CIBC Wood Gundy, the investment banking unit, raised

with a debt-for-equity swap as part of a plan to overcome its financial troubles. Some 33bn bolivars (\$70m) of preferred Class B shares will be issued to financial that accept the terms will be entitled to preferred dividends from August 16. Corimon last year ran into

### Notice to Bondholders

**UBS Luxembourg S.A. - Paying Agency activity** Alliance & Leicester Building Society £ 200,000,000 11 1/4% 1989-1996 ASFINAG US\$ 200,000,000 FRN 1992-1996

Bayerische Hypobank DEM 60,000,000 FRN 1995-2002 Bayerische Landesbank Girozentrale US\$ 500,000,000 4 3/4% 1993-1998 Belgium USD 400,000,000 8 3/4% 1991-1998 Britannia Building Society £ 100,000,000 10 1/2% 1992-2000 Chettenham & Gloucester plc £ 175,000,000 FRN 1992-1996 Council of Europe US\$ 350,000,000 6 1/8% 1992-1999 Cregent Finance N.V. US\$ 100,000,000 FRN 1993-2003 DSM N.V. US\$ 150,000,000 8 1/2% 1991-1996 Electricité de France US\$ 100,000,000 FRN 1992-2002 Espirito Santo Financial Holding ECU 135,000,000 8 3/4% 1991-2008 European Coal and Steel Community £ 15,750,000 FRN 1993-1998 Fisher Brothers Financial Realty Company US\$ 160,000,000 10 3/4% 1985-2000 Guangdong International Trust & Investment Corporation US\$ 150,000,000 FRN 1993-1998 Hitachi Credit Corporation US\$ 100,000,000 7 1/8% 1991-1996 Hitachi Credit Corporation US\$ 100,000,000 5 1/2% 1993-1998 MMC international Finance (Netherlands) 8.V. US\$ 50,000,000 6% 1993-1998 National Bank of Canada US\$ 200,000,000 FRN 1995-1998 Nestlé Holdings Inc. US\$ 100,000,000 5% 1987-1997 Osterreichische Postsparkasse C\$ 200,000,000 10 3/4% 1991-2001 Rhone-Poulenc S.A. US\$ 370,000,000 Auction Rate Coupon Undated Notes South West Water plc £ 150,000,000 10 5/8% 1995-2012 SBAB ECU 300,000,000 8 5/8% 1992-1997 UBS Finance N.V. US\$ 150,000,000 FRN 1994-1996

Republic of Austria US\$ 300,000,000 FRN 1993-2003

UBS Finance N.V. US\$ 250,000,000 FRN 1992-2002 UBS Finance N.V. US\$ 250,000,000 8% 1996-1997 UBS Australia Limited C\$ 150,000,000 6 1/4% 1993-1997 Woolwich Building Society £ 150,000,000 7% 1993-1996

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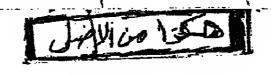
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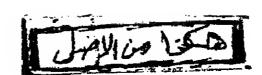
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# COMPANIES AND FINANCE: THE AMERICAS US airlines locked on to a consolidation flight-path

Delta and Continental will not confirm merger talks, but many in the industry see alliances as inevitable, says Richard Tomkins

Continental Airlines may refuse to confirm they have been holding merger talks, but the notion is undoubtedly true - if only because, right now, the US airline industry is one in which everyone is talking to everyone about the possibil-

ity of a deal. Many in the industry believe a round of consolidation is about to take place, and the fear that haunts every airline is that, as in the parlour game known as musical chairs, it is the only one left standing when the

music stops.
At present, the US airline industry includas saven big groups. The first division comprises Airlines, American Airlines and Delta, and the second division comprises Northwest Airlines, USAir, Continental and Trans World Airlines.

These companies are the survivors of the many place since the deregulation of the US airline industry in 1978. That provoked a wave of bankruptcies and mergers, and also cleared the way for scores of new,

or lifes has back targe

Maria Signa Gara

For all the changes that followed deregulation, the 1990s have been marked by a period of relative stability. There have been no big bankruptcies or mergers for several years: the main event has been the continuing battle between the big, established carriers and the cheeky start-ups with their low costs and low fares.

That uneasy equilibrium, however, was shaken last year when USAir started merger talks with United Airlines and American Airlines. In the end, USAir's high labour costs proved a sticking point and the talks broke down, but the affair was enough to start peopla thinking about consoli-Since then, another event

has increased the pressure: the proposed allianca between American Airlines and British Airways, announced earlier this year. changes that have taken If consummated, this alliance would greatly strengthen American in relation to the other US airlines, upsetting the existing

The rationale for an indus-

elta Air Lines and start-up airlines to enter the try consolidation lies in the union workforce, has spent fact that US airlines find it the past two years going hard to increase profits in through a wrenching costthe largely mature domestic cutting exercise that has put market. The growth in a strain on its historically domestic air travel has good labour relations. The slowed and there are no new, untapped markets to go for. Meanwhile, many of the big carriers' most profitable

> Inevitably, therefore, some in the industry are considering the possibility of growing through acquisition; and at a time when profits have recovered sharply from a long run of losses, the larger companies have the necessary financial means.

> One possible obstruction could be the antitrust argument. But, if anything, this adds to the pressure to merge as quickly es possible, for as the number of airlines dwindles, the last mergers are the ones most likely to face regulatory hurdles.

That said, industry analysts are sceptical about a combination between Delta and Con-

last thing it needs just now, say some analysts, is the dis-

routes are besieged by Mr Philip Baggaley, an competition from start-up analyst at Standard Poor's, says the acquisition of Continental would add about \$5hn of deht and leases to Delta's balance sheet at a time when the company has been trying to improve its credit rating even without the cost of the acquisition Itself, which would be at least

> "Almost all airline mergers have been very difficult in one way or another." Mr Baggaley says. "The costs of the lower-cost airline tend to rise to those of the other airline, and the labour problems are very difficult. with all the problems of integrating the seniority lists of nised employees - notably the pilots."

ket seemed to have convinced itself that the excite-



No marriage yet: but every US carrier worries about being left on the shelf

Yesterday the stock mar- Continental-Delta merger down Continental's shares \$1

tla changed from the price dcorstep of consolidation in

was overblown: it marked before the speculation the industry but it's another Kevin Murphy, an analyst at

# Opic hopes on reauthorisation

By Nancy Dunne

The Overseas Private nam. in the year to October.

Mrs Ruth Harkin, Opic president, said she did not expect difficulty in getting funds, including two in the the agency reauthorised in 1997. Anything connected with foreign trade was at risk before the November include the first private

conservatives in Congre who had targeted Opic as an example of "corporate welfare", the agency was breaking records for the disbursement of project financing and political risk insurance. It committed \$2.2bn to a record 169 projects, including 27 new ventures in Russia, where it has been partic-

ance has been in increasing demand as US companies move into the emerging markets. The agency sold \$16.5bn in political risk insurance last year, up from \$8.6bn in fiscal 1995. Its record of recovery on claims

last year it recovered \$2.3m from old claims, including some repayment from Viet-

US agency that promotes for- \$2.2bn for project financing and new private investments rowly avoided the congres- funds, up from \$1.8bn the previous year. During the Clinton administration, the number of funds has soared in regions where the US is pushing private sector development. There are now 24 Middle East and six in the former Soviet Union.

The year's financings power project in Morocco, agribusiness projects in Russia, small telecc tions ventures in sub-Saharan Africa and \$200m in political risk insurance provided for a new liquefied

what form. The administration has been considering a restructuring of the export credit agencies and a possible merger of Opic; the US-Export Import Bank, which finances exports; and the agency, which finances feasi-

Mrs Harkin said tha agency was in good shape, with reserves of more than

# Record year lifts

Investment Corporation, the eign investment and narsional axe this year, yesterday announced it had earned a record \$209m profit

elections, she said. Even while under fire from

ularly active. Opic's political risk insur-

paid out is 98 per cent, and

The agency committed

natural gas project in Oman.

Although Opic is likely to survive, it is not clear in bility studies.

# Telefónica del Peru disputes tariff cut

would contest a ruling that will lower its revenues from the rental of lines and circuits by about 17m new sol (\$3.9m) in 1997, AP-DJ reports from Lima.

The Peruvian stata telecommunications regulator, Osiptel, reduced by 35 per cent the maximum tariffs on the rental of lines and circuits for data transmission. The tariffs had not changed since June 1993.

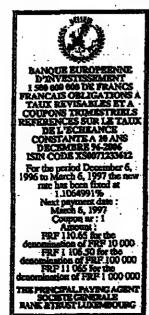
Telefonica called the decision "unjustified" and said it would ask for the dispute to be resolved under legal procedures established in its ion agreement The company had reve-

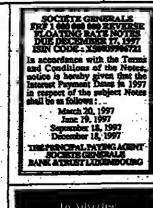
Telefónica del Peru said it nues of 794.4m new sol in the third quarter ended September 30. Year-ago fourth-quarter revenues were not avail-

> Telefónica said it could not estimate the impact on domestic and long-distance revenues from traffic routed through affected circuits. Its shares fell to \$1.97 at

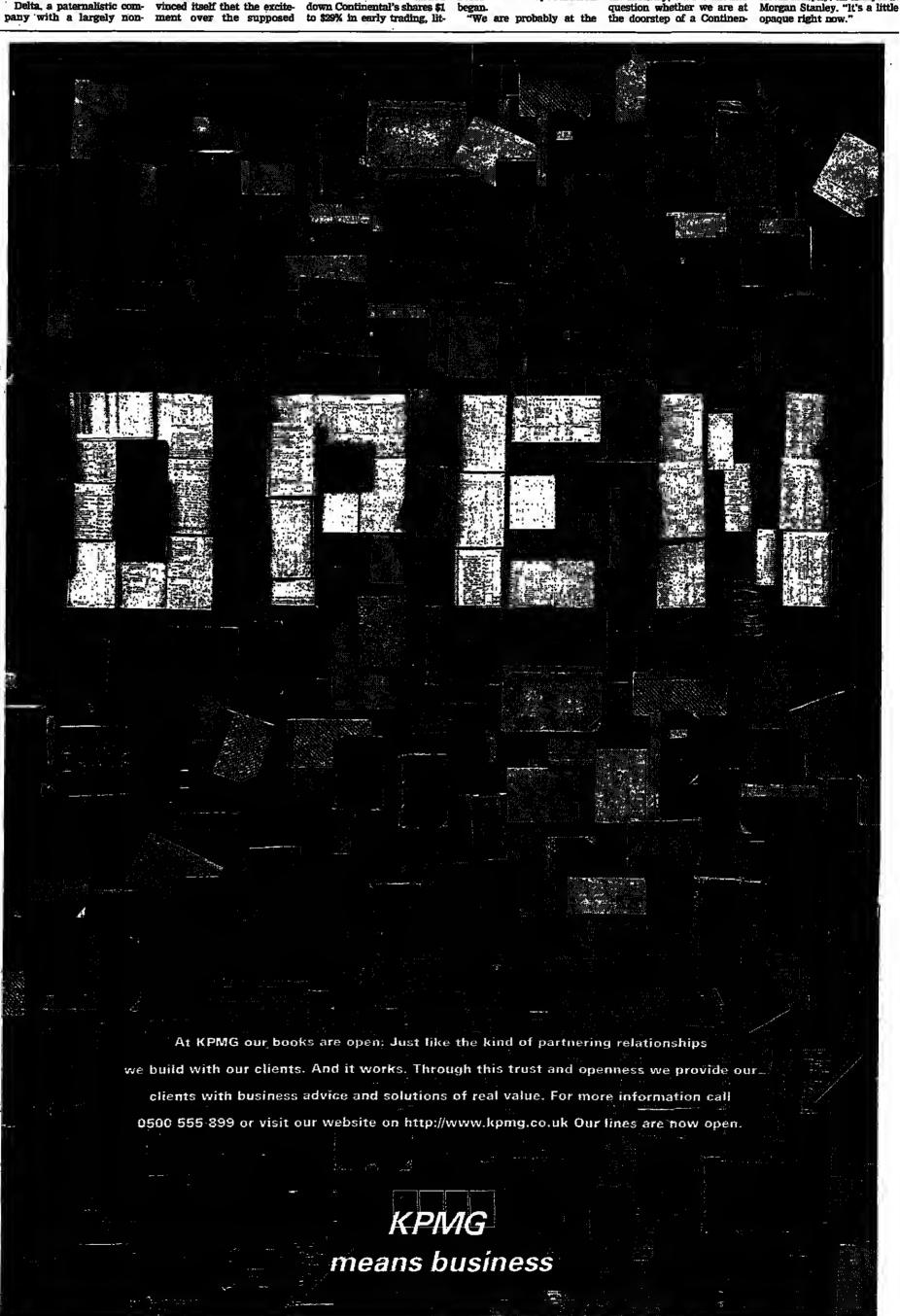
the close from a mid-ses high of \$2.02. Analysts attributed this to the wider implications of the ruling.

"Relatively speaking, the loss isn't so important," said Flemming's Ms Raquel Lizar-raga. "The fear is that the decision means Osiptel can change the rules whenever it









### Canadian **Airlines** rescue up to union

By Bernard Simon

The Canadian Auto Workers union was last night considering whether to urge its members to reject a rescue package for Canadian Air-

lines International. Rejection by the 3,600 CAW members would give the alling Calgary-based carrier few options hut to seek protection from its credi-

The union's predicament stems from a decision by the federal government to use an obscure section of Canada's labour laws to force a vote on the rescue plan among CAW memhers at Canadian Airlines, who are mostly ticket agents. The CAW is the lone dis-

senter on the plan among the six unions representing Canadian's 16,400 workers. The carrier's creditors, as well as American Airlines. which holds a 33 per cent equity stake, have also agreed to concessions, pro-vided the plan is accepted hy the unions.

The most contentious part of the rescue is a demand for wage cuts. The airline originally demanded a 10 per cent reduction, but later agreed to a sliding scale of cuts averaging about 5 per cent, after the federal government and the provinces of Alherta and British Columbia offered support in the form of fuel-tax rebates.

The plan also includes a ronte restructuring, under which Canadian, the smaller of Canada's two national airlines, would divert resources from the highly competitive domestic market to more lucrative trans-Pacific and US-Canada

The airline has warned that, without the rescue package, it will run out of casb in early 1997. Creditors bave indicated they may begin seizing assets if the unions fail to agree to the

Mr Kevin Benson, chief executive, said ticket sales had dropped about 15 per cent in the past week, and some suppliers had insisted on cash payments.

The government defended its move to force a vote, on the grounds that it wanted The section of the Canada Labour Code that it bas invoked gives Ottawa broad powers to "maintain or secure industrial peace".

Mr Buzz Hargrove, CAW president, accused the government of underwining the collective bargaining process. He said the unton wonld decide within the next day or so whether to recommend rejection of the

# French bank renews Malaysia push

By James Kynge in Singapore

Crédit Lyonnais, the French state-owned hank, has renewed its drive for a licence to set up a branch in the increasingly popular Malaysian offshore tax haven of Labuan.

Mr Jean Peyrelevade, the Ahmad Mohd Don, the gov-

will reap the harvest."

rently to be found.

local brands can hold their

own in the face of fierce

"In the past, Hong Kong

clothing companies have bad

little time for building

brands or image," says the head of one local advertising

explains, referring to the end

fered its share of problems.

In addition to intense com-

petition in the market, it has

Lai's strong criticism of Chi-

foreign label.'

year

international competition.

resolved, and to ask that the licence - which the bank first applied for about a year ago - be granted, a Crédit Lyonnais executive said.

Labuan, a small island off the coast of Borneo, has been designated an international offsbore centre by bank chairman, visited Mr Malaysia's central bank. Initially it attracted little inter-

him that Credit Lyonnais' November that Malaysian ect finance in Malaysia and financial troubles were companies - as well as for for investment funds. eigners - can set up there. To date, 51 offshore banks, 15 trust companies and five insurance companies bave heen given permission to operate there.

The Credit Lyonnais executive said the central bank Malaysian companies were had not given any indication when it might grant the licence. He said the bank region, and Crédit Lyonnais to provide steady increases ernor of Malaysia's central est, but that changed when would use a Labuan branch was interested in financing in profits over the next few bank, this week to convince the government ruled in for corporate banking, proj- such offshore expansions years.

Giordano lays long-term foundation

Because there is no lending in the Malaysian ringgit under Labuan regulations,

Crédit Lyonnais' operations there would not pose any competition to local banks. The executive said many looking to expand out of

island's 3 per cent corporate tax rate and absence of withholding tax were attractive. Earlier this week, Mr Pey-

relevade said Crédit Lyonnais' Asian operations were set to record net profits of US\$150m this year, a rise of about 30 per cent. He said the Asia Pacific operations their country into the of the bank would continue

ASIA-PACIFIC NEWS DIGEST

# Carter Holt to upgrade pulp mill

Forestry group Carter Holt Harvey is to spend NZ\$300m (US\$213.9m) upgrading its pulp and paper mill at Kinleith in the central North Island. The project, one of the biggest industrial developments in New Zealand, will be completed by mid-1998. Production will increase 30 per cent to nearly 600,000 tonnes a year.

Mr John Faraci, chief executive of Carter Holt Harvey, which is controlled by International Paper of the US, said the expansion was consistent with the company's strategy of adding value to its New Zealand production, and would ensure cost competitiveness in international markets. The main components of the modernisation include a

100,000-tonne-a-year waste recycling operation, pulp-processing and drying machinery and an increase in container-board production. Most of the production will

### Highlands shares top bid price

Shares in Highlands Gold, the Papua New Guines-based mining group facing an unwanted A\$420m (US\$335.8m) takeover from Canada's Placer Dome, edged above the bid price yesterday, with some of the buying coming from a PNG-based institution which said it believed the stock was undervalued.

The National Provident Fund in Port Moreshy said the purchases had taken its stake to 5.5 per cent from 4.8 per cent. Mr Robert Kul, NPF managing director, said there was considerable potential in Highlands' two well-advanced exploration projects – the Ramu and Frieda River deposits - and that the fund had bought the

shares as a long-term investment above the hld price. Placer's offer was 75 cents a share, a level described by Highlands as inadequate. Highlands shares closed 2 cents higher at about 77 cents yesterday. Nikki Tait. Sydney

### Australis reduces losses

Australis Media, the Australian pay-TV operator, incurred an after-tax loss of A\$51.1m (US\$40.85m) for the three months to end-September, compared with a deficit of \$87.7m in the preceding quarter.

Sales revenue was A\$26.4m, an increase of A\$6.1m on the preceding quarter. This included more than A56m of revenue from the company's programme supply agreement with Foxtel, the rival cable-based pay-TV operator. Total subscribers at end-November were 313,000, made up of 98,000 Australis subscribers, 95,000 franchisee subscribers and 120,000 Foxtel subscribers.

The company, which in 1995 became the first pay-TV company to start operating in Australia, has recently been battling to secure new funds. It finally completed an A\$316m refinancing plan in November, with help from Mr Kerry Packer's Publishing and Broadcasting group. Australia wahfer yesterday it expected "significant negative cashflow from operating activities and investing activities in each fiscal year to at least fiscal 1996".

### Dickson compensation nearer

Dickson Concepts yesterday said the US bankruptcy court had approved an application to reimburse up to \$1m of costs incurred in its due diligence investigation of Barney's, the New York-based department store. The application was filed by Barney's creditors. Dickson expects to complete the due diligence in January.

Mr Edwin Ing, group executive director and company secretary, said: "Once the due diligence is completed, the company will only then consider whether to submit a definitive proposal to Barney's in relation to the company's possible investment in Barney's."

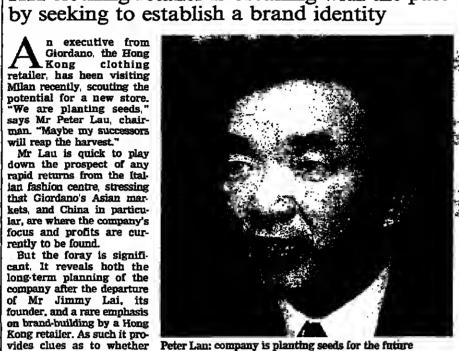
AFX-News, Hong Kong

### New distribution unit at Acer

Acer Sertek, the distribution arm of Acer, the Taiwanese computer company, is to set up a unit for the distribution of products in communications, and computer and consumer electronics. It will begin operating on January L Acer Sertek has invested T\$199m (US\$7.24m) in the

### Olympics rights for TVNZ

TVNZ, the government-owned television network, has won the New Zealand TV rights to the Olympics Games in Sydney in 2000. The sale price is thought to be about



HK clothing retailer is breaking with the past Streets ahead

Peter Lan: company is planting seeds for the future

versy rumhled on into this year even after the outspoken media tycoon left the board and sold his remaining shares.

In Taiwan, the group's hig-

gest single market, a score of agency. "It was very much hit and run. You grew the managers were replaced this husiness until it was hig year after sales stagnated. enough to be listed on the There seems to have been a stock exchange, then you breakdown in relations with Hong Kong HQ," says one retail analyst. "It has required a lot of sorting cashed in. Either that, or you stayed a source for a out." The 19 per cent fall in first-half sales in Taiwan The reason, says Mr Lau, lies partly in the mentality created by political circum-stances. "We have had the was one cause of disappointing group results for the mentality of a borrowed period; which were flat at

place, borrowed time," he of British sovereignty over Hong Kong in July next build longer-term foundacompany's operations tions have not been without through franchises. The pitfalls. For despite rapid costs of expansion and advertising mean that frangrowth, which has seen annual sales treble from chises are often the quickest HK\$1.17bn (US\$151m) in route to growth, but they 1991, the company has sufalso bring the risk that management control will he

weakened. Mr Lau shrugs off the setfaced political obstacles. Mr hacks. Franchises, argues the Giordano chief, have na's premier, Mr Li Peng, in proved successful for the 1994, sparked store closures group, allowing it to pene-

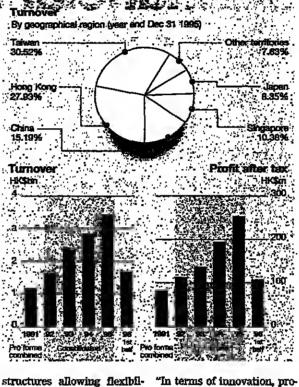
on the mainland. The contro- trate markets more rapidly than it could with standalone operations.

"We are entering India with a joint venture because they have their own managerial culture and understanding", be says. The company's image is maintained, says Giordano, through training programmes and standar-

Officials on the mainland remain wary of the group, but the worst appears to have passed. Giordano is in negotiations with a subsidiary of the ministry of agriculture about the establishment of stores in Beijing, and its business has proved resilient. Despite the store ore broadly, the closures earlier this year, performance mainland sales rose almost reflected the risks 30 per cent in the first half in building the to HK\$271.5m.

position itself as a value-formoney, accessible store, and there is strong demand for that approach", says one Hong Kong retail analyst.

This image, says Mr Lau, the group's strategy. "We want to create an atmosphere of honesty, openness and reliability." At least as important, he argues, is the creation of management



ity in production and mar- duction and delivery times,

"You have to choose your "Giordano is seeking to take on the big international groups head on, the battle will be very bloody, and much of the blood will be

quickly. One example is its will remain at the centre of introduction of products to value and "low risk" shopemblazoned with the image of Hong Kong's Olympic windsurfing champion this summer. "That took them just a few days", says an executive at a rival retailer

they have a very slick playing field and be able to But Mr Lau is not content

change fields quickly", says to rely on one-off opportuni-"Niches do not last, so we are trying to build something longer-lasting, to create an image", he says, citing Disney and Body Shop of Giordano certainly acts the UK as models. The Giordano feeling, he says, is tied ping. After the turbulence of 1996 - particularly on the mainland - it is a sentiment that investors might share.

John Ridding

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Notice to Bondholders of Adjustment to the Conversion Price Samwhan Corporation U.S. \$24,000,000

0.25% Convertible Bonds due 2005 (the "Bonds") en to holders of the Bonds, that follow s namely given in notions or into buries, and indowing the state of new in shares of the Company by way of a Rights Issue, entailing shareholdes; critice for 0.24 shares per each existing one share held at a price of 200, the Conversion Phos has, in accordance with the Trust Deed dated ser 29, 1905, been adjusted from Wen 23,408 to Wen 22,006 with effect from er. 7.1996, which is the day following the excent date for such Rights Issue, and date for such Rights Issue.

**O**CHASE

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th December, 1996, lo 6th lone, 1997 182 days) 5,9875%, p.a. U.S.S15,115 d. U.S.S500,0000 Agent Bank SAKURA PINANCE ASIA LIMITED

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# GrandMet achieves £965m

By Roderick Oram, Consumer Industries Editor

The long-touted recovery of world spirits markets gained credibility yesterday when Grand Metropolitan, the UK drinks and food group. reported one of the sector's best profit increases for

Reaping the rewards of higher advertising expendi-ture, international Distillers & Vintners, GrandMet's drinks arm, lifted prices and volumes of key brands such as J&B Scotcb whisky and Smirnoff vodka at a faster rate than its competitors. "I take some heart from the performance," one analyst said. "Hopefully, we'll eventually see a similar performance from Guinness and Allied Domecq."

The City considers that GrandMet started streamlining its drinks husiness and spending more on marketing its brands about a year to 18 months ahead of



George Bull, chairman - will seek approval for share buy-back

GrandMet's operating prof- and analysts' forecasts of would cost it about £30m in its from drinks rose 4 per some £500m of free-cash gencent to £471m (\$772.4m). Coueration this year further pled with an acquisitionfuelled hopes it would buy boosted rise of 30 per cent to £431m from Pillsbury, its back about 6 per cent of its shares. It will seek approval main food business, Grandfor a 10 per cent buy-back at Met reported pre-tax profits its AGM in March. However, its shares eased of £965m, up 5.8 per cent, for ne year to September. 10p to 446%p as analysts. The strong performance forecast the strong pound the year to September.

one flat region for drinks

profits, but GrandMet achieved its first price increase there on Smirnoff in five years. In contrast, spirit volumes were up 9 per cent in Europe and by 11 per

# Hanson's era ends with City unimpressed

Hanson delivered its final set of results as a conglomerate not with a bang, but with a whimper, yesterday unveiling underlying profits down 9.6 per cent to £1.2hn (\$1.96bn).

At the pre-tax level, the results for the year to Octo-ber 1 ware holstered by £633m of exceptional gains on disposals, including Seven Seas vitamins, Caven ham forest products and Snhurban Propane.

Aided by the release of £193m of provisions previously ear-marked for environmental liabilities, Hanson ifted pre-tax profits to £1.81bn (£1.23bn). With US industries, Impe-

rial Tobacco and Millennium Chemicals demerged, analysts described the figures as an "historical curiosity". But brokers will search for clues about prospects for the Energy Group, to he demerged in February, and

coal miner, slipped from the ongoing Hanson building £160m to £154m.

butions.

### LEX COMMENT GrandMet

grasping the concept of Grand Met. Grand Metropolitan is shareholder value with the zeal of a religious convert. Yesterday's results show why. Even after recent disposals, the group's return on invested capital is a paltry 8 per cant. And returns from its last big acquisition, the £1.7bn purchase of Pet in 1994, are considerably lower following the unfortunate down-

turn in US demand for Mexican sauces. In this context, the management's emphasis on getting decent returns on capital

or future prospects". Hanson shares added just %p to 80p, encouraged by a lp dividend, in effect a first quarter pay-out from the energy and building materials businesses. Henceforth, the companies will switch to interim and full-year distri-

damerger of The Energy

Group, the final phase in the

break-up, will be unveiled on

Wednesday. Lord Hanson,

chairman, lamented the

lowly stock market ratings.

Hanson and the demerged

companies was 195p on

December 1 1995, and now

stands at 150p" he said.

This in no way represents

either our earnings capacity

"The combined value of

In building materials, the US operations took advantage of strong demand to lift operating profits 35 per cent. The Energy Group lifted operating profits from £167m to £458m. But operating profits from Peabody, tha US

means an end to deals. Investors should be delighted since there is plenty to do within the existing busine

portfolio. The spirits division is already responding to rationalisa tion and more effective marketing - 7 per cent profits growth in the second half may not sound like much, but by the standards of this industry it is explosive. Burger King has been left behind by McDonalds in Europe and Asia, offering significant scope for catching up. Restruct uring at Pet should also start to pay - although GrandMet is having to run fast just to stand still given the current weakness of the dollar.

The most concrete evidence of this new philosophy will come in the form of a £500m distribution, probably accompanying the interim results next year. This will underline the strong cash generation of the husiness and help keep the management on the atraight and narrow. Besides, given the group's pay-back from acquisitions, investors are better getting cash up front.

# Mixed signals from Centrica

the most elegant or informative of names for a natural gas company. But for senior executives at British Gas's domestic supply, trading, retail and services businessea, the new identity, however ungainly, is a powerful symbol of their long-awaited independence.

In recent months, it has become clear that the different branches of British Gas were rapidly diverging. Mr Richard Giordano, BG's chairman and chief executive, acknowledged as much yesterday wben he spoke of the "very different roles" of the two companies in the UK gas industry.

Mr Giordano has long believed that the domestic gas business would have to undergo a cultural revolution to survive in the competitive market that is being introduced during the next

ca's chief executive, yester- gas producer has been seen day vowed to deliver that as a prerequisite for the to a lot of gas and the right

Robert Corzine finds analysts confused over the gas concern's independent prospects

revolution. Improved customer performance would be the first priority. Renegotiation of the take-or-pay contracts was relegated to third place in the list of objectives. after retention of market share in the domestic gas sector of 19m customers.

Centrica plans to expand heyond natural gas, to the supply of electricity. Further household-based financial and insurance products will also be introduced to complement the Goldfish credit card launched introduced

But even if the group's strategy is clear, uncertainties about its prospects abound. Renegotiation of take-or-pay contracts with at Mr Roy Gardner, Centri- least one leading North Sea

demerger of Centrica, But vesterday's BP deal may not be a model for others.

Mr Giordano said talks were proceeding "field hy field". Some deals would be done for cash, while others would probably be based on the exchange of assets, with stakes in the giant More-cambe gas field likely to figure prominently in any such deals. Mr Gardner predicted that "one or two" other deals may emerge before the demerger in February.

Industry analysts yesterday expressed widely varying views of Centrica's prospects. One thought it "in a strong position", in spite of having solved only a small part of its take-or-pay problem. "They are still the dominant supplier, with access

sort of gas." That was a reference to Morecambe Bay wbose output can be cranked up quickly to respond to spurts in demand. Others complained that, valuing the company was

virtually impossible. Mr Gardner yesterday confirmed that Centrica would not pay a dividend in the immediate future, because of uncertainties over how much market share it would lose as a result of gas market liberalisation, and the continuing uncertainty over the cost of the gas it hought from North Sea suppliers.

But Ms Irene Himona, at London broker Société Générale Strauss Turnbull, said those same uncertainties made it impossible to place an accurate valuation on the

"We still lack the fundamental bits of the puzzle," 6be said. "We don't know its revenues or its costs, so how can we predict what its proftts will he?"

Lex. Page 14

# dips and warns on year

rates would have "signific record was not "necessarily

By Peggy Hollinger

Great Universal Stores yesterday reported its first cautioned the market to rein in expectations for the full

Shares in the mail order and husiness information group tumbled 241/p to 651%p, as chairman Lord David Wolfson of Sunningdale warned that trading in the core mail order business remained difficult. Furthermore, adverse exchange

RESULTS

its, he said, and had cut £5m (\$8.2m) from first-half profits As the company had

cant effect" on annual prof-

warned earlier this year, intense competition in UK mail order held pre-tax profits in the half-year to September down 1 per cent at

Lord Wolfson, who became chairman in August, admitted that breaking the profits the sort of record I would have sought to achieve".

The comments came as an ahrupt reminder that GUS still relies on traditional agency mail order, a mature market in the UK, for almost a third of annual profits.

ried away with its recent \$1.67bn acquisition of the US business information services group Experian, said one analyst, and had forgotten "just how difficult things

are in home shopping. It's

GUS reported a fall in home shopping operating profits from £72.4m to sharpest mainly in the UK, where profit dropped from £54.5m to £44m. Initially, GUS was investing to bring service levels to industry standards - such as two-day delivery. He estimated the group had incurred £3m-£5m

The property division made £33.5m (£31.9m),

FT inform

in extra one-off costs as a

This announcement is neither an offer to purchase nor o solicitation of an offer to sell these securities. The Offer is made only by the Offer to Purchase, as amended by Supplement No. 1, and the Letters of Transmittal and is not being made (nor will tenders be accepted from) holders of Notes in any jurisdiction in which the Offer or the

### Millennium America Inc.

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Notice of Change-in-Control and Offer to Purchase for Cash any and all of the Outstanding

2.39% Senior Exchangeable Discount Notes Due 2001 of Millennium America Inc.

(including the ADS Rights appurtenant thereto issued by Hanson (Bermuda) Limited

to acquire American Depositary Shares representing Ordinary Shares of Hanson PLC)

Millennium America Inc. ("Millennium America"), on behalf of itself and as agent for Hanson (Bermuda) Limited ("HBL"), is offering (as amended and supplemented, the "Offer"), on behalf of itself and as agent for HBL, an indirect wholly owned subsidiary of Hanson PLC ("Hanson"), to purchase for cash at the Repurchase Price, upon the terms and subject to the conditions set forth in the Offer to Purchase, as amended and supplemented by Supplement No. 1, dated December 5, 1996, to the Offer to Purchase (the "Offer to Purchase"), and in the Letters of Transmittal, any and all of the outstanding 2.39% Senior Exchangeable Discount Notes Due 2001 of Millennium America, including the ADS Rights appurtenant thereto issued by HBL to acquire from HBL American Depositary Shares each representing five ordinary shares of 25p each in the capital of Hanson. The Repurchase Price is 101% of the accreted value of the Notes to but excluding the date of repurchase. The Repurchase Price as of December 17, 1996 will be US\$883.27 per US\$1,000 principal amount due at the stated maturity of Notes, net in casb to the Tendering Holders. See the Offer to Purchase for capitalized terms used herein but not defined herein.

Any questions or requests for assistance or for copies of the Offer to Purchase or related documents may be directed to the Information Agent at one of its telephone numbers set forth below. Any Holder or Beneficial Owner also may contact such Holder's or Beneficial Owner's broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN THE OFFER TO PURCHASE, THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 PM., NEW YORK CITY TIME, ON DECEMBER 17, 1996, AND MAY NOT BE EXTENDED UNLESS REQUIRED BY APPLICABLE LAW (SUCH TIME AND DATE OR THE LATEST EXTENSION THEREOF, IF EXTENDED, THE "EXPIRATION DATE"). NOTES TENDERED IN THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE.

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Europe: Moor House-17th Floor 119 London Wall London EC2Y 5ET England +44-171-454-7100

December 6, 1996

### (0.08) 0.5 (1.8) 8.06 (8.74♥) 10.1 (0.5721.4) 0.05L (8.75♥) 24.25 (4.76) 12.2 (1.58) 4.58 (6) 9.5 (0.45L) 13.18L† (0.056) 16.8L† (1.3) 4.8 (-) -6 mits to Aug 31 25.4 m 6 mits to Sept 30 90.4 Yr to Sept 30 90.4 Yr to June 30 8.99 6 mits to Sept 30 33.1 Yr to Sept 30 33.1 Yr to Sept 30 49.9 6 mits to Sept 30 49.9 6 mits to Sept 30 6.89 16 mits to June 30.4 0.673 8 mits to Sept 30 16.1 (22.7 ) (38 ) (101.4 ) (5.2 ) (137.2 ) (25.8 ) (15.3 ) (37.9 ) (4.57 ) (14.4 ) 2.524 8.889 0.059L 9.56 6.08 0.777 8.04 Expre lett 1.72LA 0.484L 0.776 . 6 mths to Sept 30 16.1 (8,025 ) 3884 (436.9 ) 54.54 (1,103 ) 235.6 (11,184 ] 1,806 (55.1 ) 1.7 (13.7 ) 1.6 (3,557 ) 3684 (74.5 ) 9.64 (86.5 ) 19.1 (300.6 ) 11.81 (373.311) 140.2 (32 ) 20.2 (212.8 ) 52 (1 ) 0.7381 (83.3 ) 3.564 (180.2 ) 12.64 (22.7 ) 3.61 (25.7 ) 2.55 (80.7 ) 8.19 (22.9 ) (15.7 ) (18.7 ) (7.14 ) (2.23 ) (47♥) (237.5) (1,226♠) (1,16) (0.27) (348) (8.75) (192.8) (122.8) (122.8) (47.7) (47.7) (4.46) (1.75) (4.46) (1.75) Yr to Sept 27 459 6 mits to Sept 30 1,212 9.53 8.9 32.5L 22.9 12.49 28.7‡ 1452 4.9 4.3† 22.5 6.76 17.7 Feb 11 6 rit Smaller VCT \_\_\_\_\_ 6 mits to Sept 30 94.2 Ediabough New Tiger \_\_\_ Yr to Oct 31 \* 27.43 Scuttler Latin \_\_\_\_\_ 6 mits to Oct 31 89.9 0.043 1.38L 0.092 (- ) (31.13 ) (72.41 ) (- ) (1.4L ) (0.185 ) (0.29 ) 0.49L 0.18 4.8 \_ Yr to Oct 31 246.38 (283.61) 0.474 Feb 21

unitings shown basic. Dividends shown net. Figures in brackets are for corresponding period. AAfter exceptional charge. VAfter exceptional charge. VAfter exceptional charge. VAfter exceptional charge. VAfter exceptional charge. Part of the comparatives for 12 months to December 31 1984. #Second luterins. Parts currency. #Afreedy paid. Distribution of 1p. payable January 10, clared for first quarter. AAGusted for auto-division. #For 15 months. "Adjusted for scrip lesse. 

Gross rental income. 

AAGusted for first quarter. 

AAGusted for first quarter.

# Ruud brand | London Robertson to £19.1m

By Patrick Harverson

Rund Guilit, the Chelses player-manager and Dutch football star, is to have a range of leisure clothing and accessories named after

in what will he the first time a company has attempted to build a clothing brand around a football player, Hay & Robertson, the UK sports and leisure wear company, has signed a deal with Gullit to develop the range under the Admiral

In a five-year deal, the 34year-old will be paid an ini-tial "six-figure" sum and worldwide sales of the clothing, which will be under a new "Ruud" sub-brand of Admiral. H&R is gambling on Gullit's public persona as

It plans to launch the 40item range of what it calls "urban streetwear" clothing next antumn to coincids with the start of the football season. Mr Lance Yates, chief executive of H&R, said the deal with Gullit was the first step in re-establishing

# for Hay & Clubs slips

Pre-tax profits slipped

from £19.3m to £19.1m

(\$31.3m) in the six months to

Mr Alan Goodenough.

chief executive, said atten-

dances at the Ritz - one of

its most profitable casinos -

rose by 5 per cent but "the

club suffered from an unusually low win/drop percentage

which depressed its profits"

The win/drop percentage

the amount retained by the

casino as a proportion of

exchanged for chips - is

believed to have dropped at

the Ritz from at least 20 per

cent to the low teens. How-

ever, Mr Goodenough said

the group's mix of business

The Egyptian casinos

traded strongly and the

refurbished Casino dn Liban,

which opened this week in

Beirut, was expected to

bution". Casino management

contracts were being pur-

sued in expanding markets

make "a very useful contri-

September 22.

customers'

A shortage of high rolling in London largely wiped out a stronger performance from London Clubs International's middle and lower market

receive a royalty on all a charismatic and cosmopolitan sports star.

The company recently acquired the European licensing rights to Admiral for

### FLEMING FLAGSHIP SERIES II

Société d'Investissement à Capital Variable European Bank & Business Centre, 6, route de Trèves L-2633 Senningerberg, Grand Ducky of Luxembourg R.C. Luxembourg No. B 39 252

**Notice of Annual General Meeting** 

NOTICE is hereby given to Shareholders that the Annual General Meeting of FLEMING FLAGSHIP SERIES II ("the Company") will be held at the registered office of the Company at European Bank & Business Centre, 6, route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg on Wednesday 18 December 1996 at 3:00 p.m. for the purpose of deliberation and voting upon the following agenda:

Submission of the Report of the Board of Directors and of the Auditor;

2. Approval of the Annual Report for the financial year ended 31 July 1996:
3. Discharge of the Directors in respect of their duties carried out for the year ended 31 July 1996;
4. Election of the Directors and Auditor for a term of one year;
5. Any Other Business.

Resolutions on the agenda of the Annual General Meeting will require no quorum and will be taken at the majority of the Shareholders present or represented. A Shareholder entitled to attend and vote at the meeting may

appoint a proxy to attend and vote on his bebalf and such proxy need not be a Shareholder of the Fund. In order to be entitled to attend the meeting, holders of bearer shares must deposit their bearer share certificates seven working

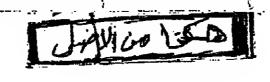
days prior to the meeting with the following institution: Kredietbank S.A. Luxembourgeoise, 43, boulevard Royal, L-2955 Luxembourg

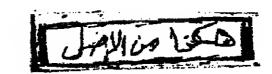
Banca Commerciale Italiana SpA, Corso di Porta Nuova 7, 1-20121 Milano Creditanstalt-Bankverein Aktiengesellschaft, Schottengasse 6. A-1010 Wien

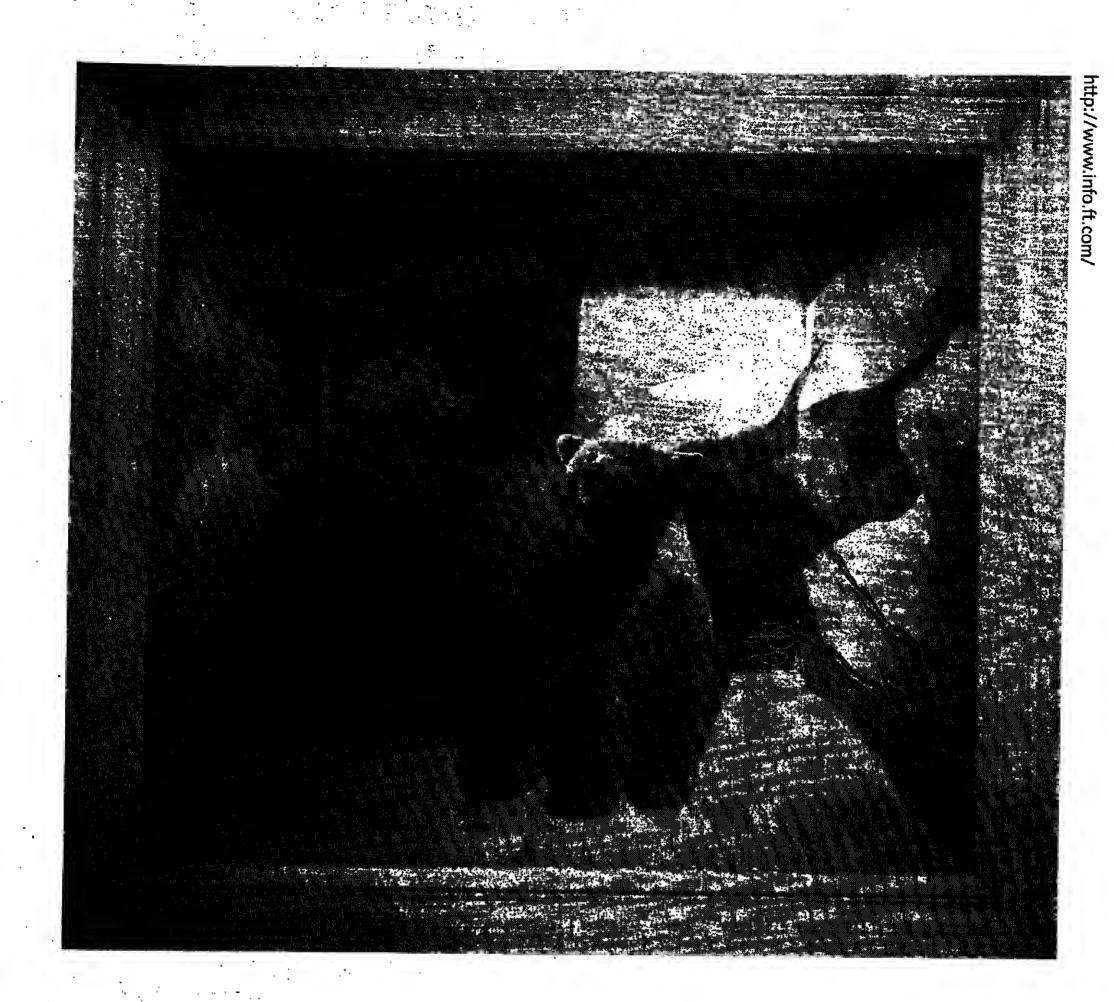
BHF-BANK Aktiengesellschaft, Bockenheimer Landstraße 10, D-60323 Frankfurt/Main Banco Exterior de España Argentaria, Carrera de S. Jerónimo 36. E-28014 Madrid

Shareholders who cannot personally attend the meeting are requested to use the prescribed form of proxy (available at the registered office of the Company) and return it at least seven working days prior to the date of the Annual General Meeting to the Company, c/o Fleming Fund Management (Luxembourg) S.A., L-2888 Luxembourg.

By Order of The Board of Directors HENRY C. XELLY, November 1996







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### INTERNATIONAL CAPITAL MARKETS

# Treasuries in decline as dollar weakens CBOT links

By Lisa Bransten in New York and

Treasury prices yesterday lost much of the gains made over the past six weeks in the face of a declining dollar and a spate of new corporate issuance.

Samer Iskandar in London

Near midday, the bencboff a full point at 1011 to yield 6.469 per cent, a rise of 8 basis points from the levels of late Wednesdey. At the tionally makes near the end short end of the maturity of the year. Coupon passes spectrum the two-year note was & weaker at 99%, yielding 5.675 per cent. The

The yield curva that traces anticipation of being able to Analysts yesterday dis- was expecting a rise of % Europe, agreed. "A severe tha difference between the sell to the Fed at slightly missed a sharp fall in UK percentage point [in tha base squeeze in the weeks up to points to 79 on sharp selling like there is going to be a the near future. at the long end of the curve. coupon pass so the bubble Mr Richard Gilhooly, inter- has been pricked." national bond strategist at Bonds started the day

New York, attributed the widespread selling to the weakening dollar and to disappointment that the Fedmark 30-year Treasury was eral Reserve had not yet car-Treasuries - known as "conpon passes" - that it tradiare generally undertaken by the Fed at year-end to meet seasonal demands for casb "Dealers had bought in

Paribas Capital Markets in slightly stronger as tha dolfell with the US currency later in the session. By early afternoon, the dollar had fallen more than Y0.75 from ried out the purchases of late Wednesday, changing hands for Y112.32 compared with Y113.12.

The market was also worried that today's figures on November employment levels might show signs of wage inflation or point to a March 30-year bond future from the US banking system. strengthening of the US

two-year note and the long higher offer prices," said Mr gilts as short-term profit tak-rate] before [next year's gen-year-end can not be ruled bond steepened 2 basis Gilhooly. "It doesn't look ing, and remained bullish for eral] election," said Mr Kirit out," ha said. "Institutions

Gilt prices were propelled unwards in the morning by comments from Mr Eddie George, governor of the lar rose against the yen, but Bank of England, that a rise in the base rate was not urgently needed and that future rate rises would probably not be as sharp as the market seemed to anticipate.

> 111 h, before falling to close at 109%, down #. Short term rates benefited most from Mr George'a remarks, Liffe's March short sterling future closing 0.10

by Italian retail investors.

New international bond issues

future reached a high of

at Sanwa International. "Now it is only discounting

a % point rise." In the cash market, the 10-year yield spread of gilts over bunds widened 9 basis points to 198 points. Mr Andrew Roberts, a gilt analyst at UBS in London said: The spread is now near the Liffe's March 1997 long gilt high end of its medium-term range, making gilts rela-

tively attractive." He also said institutions were holding a lot of cash. "If it goes into gilts it could give us a year-end rally." Mr Simon Briscoe, chief higher at 93.38. "The market UK economist at Nikko

Shah, chief market strategist are cash-rich and there is a stock shortage."

Other European markets fell in the wake of weaker bunds and Treasuries. Liffe's March bund future settled at 100.70, down 0.77, then fell in after-hours trading to a low of 100.42.

"The sell-off abowed tha market is no longer expecting a rate cut by the Bundes-bank," Mr Shah said. "Last week's low of 5.55 per cent (on the yield of the 10-year bund] is the lowest we are likely to see this year." Yields on 10-year bund closed at 5.79 per cent, up 13

# with brokers in **OTC** venture

By Laurie Morse in Chicago

The Chicago Board of Trade yesterday announced it was linking with two securities brokers to provide direct access for its members to the over-the-counter market in government securities. It is believed to be the first

attempt by a futnres exchange and securities market dealers to bridge the gaps between their related The CBOT - the world's

busiest futures exchange hopes the initiative will open the door to a new class of business. The deal, with New York-based Liberty Brokerage Investment Corp and the US subsidiary of UK-based broker Prebon Yamane, will offer a variety of other OTC instruments, as well as government securities. The joint venture will be called Chicago Board Brokerage.

The CBOT's largest institutional members already have access to the cash markets because they are primary dealers of Treasury debt. However, the new facility will open the inter-dealer markets to smaller players, and will reduce costs for all participants by unifying clearing and settlement functions for cash and futures dealing.

More than 80 per cent of CBOT volumes is related to futures and options contracts in US government debt. Although it plans next spring to link with the London International Financial Futures Exchange and the Tokyo Stock Exchange to list contracts in nondollar-denominated long-

amounts of new business.

While the exchange has seen a rebound in volume this year - it traded 207m contracts to November, up 5.6 per cent on 1995 - a reduction in the size of the US government debt, and a commoditising of OTC derivatives transactions is forcing the CBOT to innovate.

4. 47

عجم للعارات

 $= \sup_{n \in \mathbb{N}} (M_n)^{-n} \cdot \frac{(M_n \log n)^{\frac{1}{2}}}{(M_n \log n)^{\frac{1}{2}}}$ 

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وفصاعت

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ing sinks

The attempt to break into the insular world of cash bond dealing will eventually provide a platform for CBOT members to trade and clear swaps and other OTC derivatives transactions. Trading will be on an electronic system operated by CBB.

Liberty is one of the biggest inter-dealer brokers in while Prebon Yamani speci-alises in money markets, including federal funds, swaps, and other derivatives. formed a partnership called Hudson Holdings to hold 41 per cent of CBB, while the CBOT will retain 51 per cent.

The third partner is the CBOT's clearing bouse, which has formed a subsidiary called the Clearing Corporation for Options and Securities. The clearing operation will be linked with the New York-based Government Securitiee Clearing Corporation and give CBB traders a means to centralise clearing, settlement, and cross-margining for all their bond, money market and futures trades.

The new venture is expected to begin operation by the middle of next year. "The alliance will greatly increase market efficiency by incorporating the advantages of OTC markets, exchangetraded markets and interacterm bonds, this diversificative electronic trade execution may not bring in large tion," said Mr Edwin Payne, Liberty Brokerage president.

- Low coupon yield - Medium coupon yield - High coupon yield -Dec 4 Dec 3 Yr. ago Dec 4 Dec 3 Yr. ago Dec 4 Dec 3 Yr. ago

**UK Indices** 

CENS RATE:

# Mixed reception for Spain's D-Mark issue

The eurobond market had sion yesterday, featuring admitted it bought back row to 250 basis points from several sovereign or government-backed issues.

Spain launched its large. long-expected D-Mark issue - DM2bn of 10-year bonds priced to yield 24 basis points over bunds - to mixed reviews.

Many dealers, especially in London, complained that the issue was too aggressively year-end. "It's too big and too tight," said one dealer. over Treasuries, which nar-He said a spread of 27 or 28 rowed to 48 basis points durbasis points would have ing the session, Lead manbeen more appropriate. ager Merrill Lynch said "Most investors aren't buy- about 75 per cent of the deal ing long-end D-Marks - they was placed in Europe, with don't really believe in the the rest sold in Asia.

bonds were freed to trade. insiated the apread had some bonds from other syn-

dicate members. Dresdner claimed it was better to have launched the date with L800bn of triple-A deal now because in January DM30bn of new supply from the German government, federal states and eurobond issuers could hit the market.

Israel made a successful eurobond debut with \$200m of five-year bonds priced at a spread of 50 basis points

ened to about 28 after the date - L600bn of 10-year bonds for Argentina. Chase However, lead manager joint bookrunner with BCI, Dresdner Kleinwort Benson said the issue demand was heavily oversubscribed, barely changed, although it causing the spread to nar-276 at launch.

The lira sector also saw its

largest asset-backed issue to rated bonds backed by leasing contracts originated by San Paolo Leasint. According to Paribas, joint lead manager with San Paolo di Torino, the deal's structure - under which it pays all the principal at the final maturity - and the fact that the yield is higher than on comparable triple-A rated issues

investors are keen buyers of lira bonds, owing to continned optimism about Italy'e prospects of joining the core countries in the first wave of European monetary union. This demand

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

1.15 0.89 0.67

1.15 0.96 0.78

attracted investors.

BOLLOMAL.	m,	76			70	op		*
# US OOLLARS	-14.50			53		D		78.32
Morgan Stanley Group(s)#	400	(a1)	99.78R	Dec 2001		-	Morgan Stanley &	
Bank of Nove Scotiat	300	<b>(b)</b>	99.951R	Dec 1999			Morgan Startley &	
Student Loan Midg Assoc(c)	300	5.80#	100.00R		0.125R	+165%Nov98	CSFB/Smith Barns	
CC MCCT 2, 96-C, Cle Ald)?	248	(d1)	(01)	Dec 2003			Mentil Lynch/JP N	Aorgan
SudwestLB Capital Mikts	250	5.75	99,849	Dec 1999			SBC Warburg	
Vodohospodarska Vystavbu State of Israel	200	7.25# 6.375	99,697R 99,607R	Dec 2008 Dec 2001	1.00R 0.25R		JP Morgan Securi Mentil Lynch inti	140
Banco Bandeirantes(s)	100	(e1)	99.9746R				West Merchant Ba	ank:
The second of th	25 CO	-	200		A		77	-
THE DAMPING AND AND ADDRESS.			T. T. F.	in ital			THE REAL PROPERTY.	DAY.
Kingdom of Spain	2bn	5.75	96.835R	Jan 2007	0.3257	+24(B%Apr06)	Drescher-KB	w - n- 1
A SMSS FRANCS				wife Trans.		44. 2.44	and the second of the	2013
Republic of Finland	150	3.25	101.75	Jen 2002	2.00		SBC Warburg	
Dreedner Finance	125	4.125	102.75	Jan 2007	2.75		Dreadner/SBC Wa	roung
DSL Bank(f)	100	3.25	101.60	Jan 2002	2.00	_	Credit Suisse	
W GUNLDERS		200 E		1.0	35.00	1. 3.2	To a series	~. 35
De NIB	300	5.875	99.86R	Jan 2007	0.375R	+18.50	ING Berings	
M TALAN LINE	1	4.64	T. C. T. E.	2.07	4.04	1		1.0
SPLR No 1. Class A2000(a)#	360bn	ford B	100.00R	Jan 2000	0.15R		Paribas/Sen Paolo	
SPLR No 1. Class A2002/glt	305bn	(0.1)	100.00R	Jan 2002			Partbas/San Pacio	
SPLR No 1, Class A2005(g)‡	135bn	(52,0 (58,0)	99.97R	Jen 2005	D.25R		Paribas/San Paolo	
Republic of Argentina	600bn	10.00	99.46R	Jan 2007	0.70R	+276/7%%-DB	Chase Manhattan	
Morgan Gueranty Trust Co	1000bn	ZETO	13.00	Jan 2027	2.00		Carlolo/JP Morger	
-	25 Mer.	A	The second second	2108	-	A	17 - 2 17 2 17 2 W.F.	4.
	Carried Co.		200	L. 0004	A	ADDRE DAY	Parament Parish	
Bayerische Hypoth.ti	200	5.00	99.874R	Jul 2001	U.2/5H	+10(076-01)	Banque Paribas	
Final terms, non-callable unless	atmed. Y	field aprec	ed fover rel	event gove	moent be	ond) at launch :	supplied by lead ma	rager,
Floating-rate note. #Semi-annue	i coupan	. R: fixed	re-offer pri	ce; fees sh	on its reve	-offer level. a)	Callable from Dec 9	6 at par
21) 3-mth Libor +15bp. b) 3-mi	th Libor •	-614bp. d	Callabia o	n 18/12/97	at par.	d) Chevy Chus	Credit Cerd Mast	er Trust
Legal maturity: May 07, d1) Price								
12/01 at par. e1) 10% to 12/12								
SFr250m. g) San Paolo Leesint						or +8iop. gs) 3-	min Lucor +150p. h	) spread
relates to French govt BTAN. 5	CARL FU	nerpolabed.	Average of the	ang 18t cou	DOL			
						_		

spurred the launch of a tavba, the Slovak state- rower. The bonds, priced to L1,000bn, 30-year zero-cou- owned water utility, issued yield 115 basis points over pon deal for Morgan Guar- \$200m of 10-year govern-

Treasuries, saw strong anty Trust, taken up largely ment-guaranteed bonds, the demand from US accounts longest-dated debut issue yet and the spread narrowed to Vodobospodarska Vys- from a central European bor- 111 basis points.

FTSE Actuaries Govt. Securities

BENCH		ND PE	_		SONDS			
		Саирол	Fled Dute	Price	Day's change		Week	Month
Australia		6.750	11/06	96.9060	-0.550	7.19	7.14	7.41
Austria		5.875	07/06	100.0800	-0.810	5.86	5.83	6.08
Belglum		7.000	05/06	108.0500	-0.620	5.86	5.90	6,10
Canada "		7.000	12/06	102,7000	-4.230	6.63	6.07	6.54
Denmark		8,000	03/06	109,3800	-0.400	6.61	6.71	6.86
France	BTAN	5,500	10/01	100.0060	-	4.64	4.76	4.95
	OAT	6,500	10/06	105,6300	-0.810	5.74	5.74	5.97
Germany Bu	and	6,250	04/08	103,2000	-0.970	5.79	5.75	6.01
reland		6.000	<b>60/80</b>	109.0000	-1.200	6.70	6.81	6.90
taly		9.500	02/06	113,9000	+0.260	7,38†	7.82	6.07
Japan	No 140	6,600	06/01	122.3399	+0,100	1.37	1.44	1,52
	Na 182	3.000	09/05	104,8113	+0.060	2.34	2.42	2.65
Vertherlands			06/06	119,5900	-0.880	5.75	5.72	5.91
Portugal		9.500	02/06	116,6000	-0.720	8.99	7.01	7.54
Spain		8.800	04/06	111,3500	-0.930	7.08	7.11	7.69
Sweden		8.000	02/05	85.2555	-0.420	6.77	8.93	7.17
JK Girs		8.000	12/00	102-15	-26/32	7.27	7.01	6.89
		7.500	12/06	99-24	-26/32	7.53	7.44	7.51
		9.000	10/08	110-25	-28/32	7.61	7.54	7.63
JS Treasury		6.500	10/06	102-07	-29/32	6.20	6.13	5.53
		6.500	11/26	100-10	-45/32	6.48	6.43	6.81
CU (French (		7.000	04/06	106.4400	-0.430	8.07	8.16	6.34
andon closte						ds: Local		standard
Gross (inclu				er cont paya				
Proces: US. UR	an 32nds	COUNTS AT C	(ecamal			Source!	LAKS bit	yrnationy
US INTI	ERES	F RAT	ES					
atest					Balls and B			- 1
rime (site						year		5.64 5.73
proper loan rate		7 The	ae wouth		5.02 Phre	Adda		5.95
ed funds		5,% Sb:	month		5.10 10-	rotar .		6.10
ed.lands of int	arvantioo	One	704		5.38 30-	131		6.40

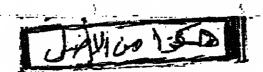
BOND	<b>FUTURES</b>	AND	<b>OPTIONS</b>

	Open	Sett price	Change	High	Low	Est vol	Open in
Dec	129,42	129.22	-0.32	129.78	129.14	188,521	132,28
Mar	129.42	129.26	-0.32	129.80	129.16	26,912	94,012
Jun	128.26	128.10	-0.32	128.60	128.16	104	8,434
	TERM FR			NS (MAT	IF)		
Strike		CAL				PUTS -	****
Price	Jan	Fet	э м	lar	Jan	Feb	Mar
126	-	-			-	0,16	0.28
127	2.33	3 -		70	90.0	-	0.45
128	1.44		1.	96	0.16	0.48	0.73
129	0.72	2 1.1	1 1.	34	0.45	0.83	-
130	0.27	7 0,6	3 <b>a</b> .	84	1.00	-	
Est. vol. to	(a), Cata 30,53	9 Puts 19.92	3. Provenus o	day's open	Int., Cate 125	274 Pus 1	39,380

	Open	Sett price	Channe	High	Low	Est and	Open in
Mar	128.55	128.61	-0.03	129.37	127.85	61045	87117
Jun	120.00	128.21	-0.06	120.01	127.00	0.040	355
	N GOVT, BOX			TIONS (LIF	FE) Line200m	_	
Strike		CA	15			PUTS	
Price		Mer	Jun		Mar		Jun
12850		.80	2.61		1.79		2.90
12900 12960		.86 .45	2.38 2.16		2.05		3.17 3.45
	otal, Calle 45			day's open			
Spain	ONAL SPAI	HOU DOM		e Mill			
= 14012	Open	Sett price		High	Low	Cot and	Open in
Dec	111.63	112.08	-0.71	112,42	111.37	90,428	68,530
Mar	111.35	111.61	-0.67	111.90	110.94	6.725	10,303
UK							
■ NOTE	ONAL UK G	HLT FUTU	RIES (LIFF)	E) £50,00	0 32nds o	f 100%	
	Open	Sett price	Change	High	Low	Est. voi	Open in
Dec	111-03	110-13	-0-27	111-20	110-09	12433	21765
Mar	110-16	109-24	-0-27	111-02	109-08	91087	138648
-	GILT FUT			FE) £50,0			
Strike Price	Jan	Feb CAL		un Ja		PUTS -	Jun
109	1-08		-61 2-3	-			2-23
110	0-35		-26 1-6				2-58
111	0-14		-63 1-3	36 1-3	0 1-57	2-15	3-32
	0-14 stal, Cafs 86		-63 1-3	36 1-3	0 1-57	2-15	3-32
Est. vol. to			-63 1-3	36 1-3	0 1-57	2-15	3-32
Ecu Ecu		20 Puts 153	-63 1-3 3. Previous	36 1-3 day's open	0 1-57	2-15	3-32
Ecu Ecu	stal, Calls 86	20 Puts 153	-63 1-3 3. Previous	36 1-3 day's open	0 1-57	2-15 10094 Pus	3-32 23827
Ecu Ecu E	SONO FUTT Open 96.50	URIES (MAT Set price 96.16	-63 1-3 3. Previous TIF) ECU10 Change -0.38	36 1-3 dwy's open 30,000 High 96.70	0 1-57 int., Calls : Low 95.98	2-15 10094 Puss Est. vol. 2,146	3-32 23827 Open int 6,958
Ecu :	SONO FUTT Open	URES (MAT	-63 1-3 3. Previous TIF) ECU10 Change	36 1-3 dwy's open 30,000 High	0 1-57 int., Calls 3	2-15 10094 Puss Est. vol.	3-32 23827 Open int
Ecu Ecu E	SONO FUTT Open 96.50	URIES (MAT Set price 96.16	-63 1-3 3. Previous TIF) ECU10 Change -0.38	36 1-3 dwy's open 30,000 High 96.70	0 1-57 int., Calls : Low 95.98	2-15 10094 Puss Est. vol. 2,146	3-32 23827 Open int 6,958
Est vol. to Ecu Ecu Ecu Ecu Ecu	SONO FUTT Open 96.50 96.28	URIES (MAT Set price 96.16 95.74	-63 1-3 3. Previous ITF) ECU10 Change -0.38 -0.36	36 1-3 dw/s open 30,000 High 96.70 96.28	0 1-57 int., Calls 3 Low 95.96 95.70	2-15 20094 Puss Est. vol. 2.146 1,105	3-32 23827 Open int 6,958
Est vol. to Ecu Ecu Ecu Ecu Ecu	SONO FUTTO Open 96.50 96.28	URIES (MAT Set price 96.16 95.74	-63 1-3. Previous  TIF) ECU10  Change -0.98 -0.36	96 1-3 day's open 90,000 High 96.70 96.28	Low 95.98 95.70	2-15 00094 Puss Est. vol. 2.146 1,105	3-32 23827 Open int 6,956 1,440
Est vol. to Ecu Ecu Ecu Ecu Ecu	SONO FUTT Open 96.50 96.28	URIES (MAT Set price 96.16 95.74	-63 1-3 3. Previous ITF) ECU10 Change -0.38 -0.36	96 1-3 dwy's open 10,000 High 96.70 96.28 T) \$100,00 High	Low 95.98 95.70	2-15 00094 Puss Est. vol. 2.146 1,105	3-32 23827 Open int 6,958 1,440
Est vol to Ecu Ecu Ecu Ecu Ecu Ecu Ecu Ecu Ecu Ecu	Open 96.50 96.28 Open 115-23 115-12	URIES (MAT Set price 96.16 95.74 HOND FUTT Lanest 115-14 115-12	-63 1-3. Previous  TIF) ECU10  Change -0.38 -0.36  URSES (CS)  Change -0.06 -0.09	36 1-3 dw/s open 30,000 High 98.70 98.28 T) \$100,00 High 118-01 115-21	0 1-57 int. Calls 3 Low 95.98 95.70 0 32nds c	2-15 20094 Puss Est. vol. 2.146 1,105 of 100%	3-32 23827 Open int 6,958 1,440 Open int 163,359
Est vol to Ecu Ecu Ecu Ecu Ecu Ecu Ecu Ecu Ecu Ecu	SONO FUTTO Open 96.50 96.28 SEASURY E Open 115-23	Set price 98.16 95.74 COND FUTTI	-0.38 -0.38 -0.38 -0.38 -0.38	36 1-3 day's open 00,000 High 96.70 96.28 T) \$100,00 High 116-01	0 1-57 int., Calls 3 Low 95.98 95.70 00 32nds c	2-15 80094 Puss Est. vol. 2.146 1,105 of 100% Est. vol. 20,997	3-32 23827 Open int 6,958 1,440 Open int 163,359
Est vol. tr  Ecu  Becu    Dec  Mar  US  B US TR  Dec  Mar  Jun	30NO FUTT Open 96.50 96.28 EEASURY E Open 115-23 115-12	URIES (MAT Set price 96.16 95.74 IONO FUTT Lanest 115-14 115-12	-63 1-3. Previous  TIF) ECU10  Change -0.38 -0.36  URSES (CS)  Change -0.06 -0.09	36 1-3 dw/s open 30,000 High 98.70 98.28 T) \$100,00 High 118-01 115-21	0 1-57 int. Calls 3 Low 95.98 95.70 0 32nds c	2-15 9094 Puss Est. vol. 2.146 1,105 of 100% Est. vol. 20,997 292,834	3-32 23827 Open int 6,958 1,440 Open int 163,359 297,972
Est vol tr  Ecu  Ecu  Ecu  Ecu  Coc  Mar  US  US  Coc  Mar  Japan	30NO FUTT Open 96.50 96.28 EEASURY E Open 115-23 115-12 114-26	20 Pag 153 20 Pag 153	-63 1-3, Previous  TIF) ECU10  Change -0.38 -0.38  -0.38  URIES (CS  Change -0-08 -0-09	36 1-3 day's open 30,000 High 98.70 98.28 T) \$100,00 High 118-01 115-21 114-28	Low 95.98 95.70 00 32nds o Low 115-05 114-28	2-15 30094 Puss Ept. vol. 2.146 1,105 of 100% Ept. vol. 20,997 292,834 461	3-32 23827 Open int 6,958 1,440 Open int 163,359 297,972
Est vol. 12 Ecu Ecu Ecu Ecu Ecu Ecu Mar US Eus TR Dec Mar Japan	30NO FUTT Open 96.50 96.28 EEASURY E Open 115-23 115-12	20 PAS 1532 UPRES (MAT Set price 96.16 95.74  COND FUTT 115-14 115-02 114-10	-63 1-3. Previous  ITF) ECU10  Change -0.38 -0.38 -0.38 URLES (C8  Change -0-09 -0-08	36 1-3 day's open 30,000 High 98.70 98.28 T) \$100,00 High 118-01 115-21 114-28	Low 95.98 95.70 00 32nds o Low 115-05 114-28	2-15 30094 Puss Ept. vol. 2.146 1,105 of 100% Ept. vol. 20,997 292,834 461	3-32 23827 Open int 6,958 1,440 Open int 163,359 297,972
Est vol. 12 Ecu Ecu Ecu Ecu Ecu Ecu Mar US Eus TR Dec Mar Japan	30NO FUTT Open 96.50 96.28 CPen 115-23 115-12 114-26	20 PAS 1532 UPRES (MAT Set price 96.16 95.74  COND FUTT 115-14 115-02 114-10	-63 1-3. Previous  ITF) ECU10  Change -0.38 -0.38 -0.38 URLES (C8  Change -0-09 -0-08	36 1-3 day's open 30,000 High 98.70 98.28 T) \$100,00 High 118-01 115-21 114-28	Low 95.98 95.70 00 32nds o Low 115-05 114-28	2-15 80094 Puss Est. vol. 2,146 1,105 of 100% Est. vol. 20,997 20,997 461	3-32 23827 Open int 6,958 1,440 Open int 163,359 297,972

7 Gross <i>ûn</i>	neing, "New neluting with 10' - 22	hholding	ton at		r cont pays		lekts: Local mai respictorital Source: MMS			pain Note		SPAN	WSH I	BOND FU	TURE	S (MEFF)			
rikes US.	UK en 32nd	CANAL	9 47 Q60	ALT PART			Source: Make	, septembri	_		Op	_	_	price Chi	_	High	Low	Est. vol	Open int
US IN	TERES	T A	ATE	S					. De	c	111		112		1.71	112.42	111.37	90,428	68,530
Latest					Treasury	Balls and	Bond Yields		Ma	*	111	.35	111		.67	111.90	110.94	6,725	10,303
		84	One o	north		· <u>T</u>	vo year	5.64	U									4	
Prime rate Broker loan	rate	7	Theres	month.		5.02 P	ne heet	5.73 5.98 6.10	-	NOTIC				UTURES					
Fed.funds Fed.funds at	intervention	5,	Six an	MIN		5.10 II	)-year }-year	6.40	, _		-	en		price Ch		High	LOW		Open int
							- ,	-	Do		111		110-		-27	111-20	110-09	12433	21765
									Ma		110 GILT		109- URIES	OPTION:		111-02 13 950 m	109-08 10 64ths :	91087	138648
									Stri		-			CALLS	o (LIFE		W 0-415 (	PUTS -	
BOND	FUTU	RES	AN	D OF	PTION	S			Pric		Jac	n	Feb	Mar	Ju	n Ja	n Fe		Jun
									109		1-0		1-39	1-61	2-2				2-23
									110		0-3		1-03	1-26	1-6				2-58
									111		0-14		0-41	0-63	1-3		_		3-32
France	•								Est	. vol. to	stal, Cal	5 84	O Put	1533. PM	MOUE C	kry's open	Int., Calls	30094 Puty	23827
	MAL FRE	NCH E	OND	FUTUR	ES (MATI	F) FFr50	2.000		Ec	CII									
								Onen est			ONO	FUT	JRES	(MATIF) E	CU10	0.000			
Dec	Open 129,42	129		Changa -0.32	High 129.78	Lov 129.			_		Op		Sett			High	Low	See	Open int.
Mar	129.42	129		-0.32	129.80	129.	16 26,912	94,012	Dec	E	96.		96.		.38	96.70	95.98	2.146	6.958
Jun	128.26		.10	-0.32	128.60			8,434	Ma		96.		95.		.36	96.28	95.70	1,105	1,440
E LONG	TERM FR	ENCH	BON	OPTH	ONS (MA	NF)												,	
Strike			CALL		-		- PUTS -		US	5									
Price	Ja	П	Feb		Mar	Jan	Feb	Mar		US TR	EASU	RY B	OND	<b>FUTURE</b>	s (CBT	\$100,00	00 32nds	of 100%	
126		м	-		7 70		0.16	0.28			Op	en	Lane	est Che	enge	High	Low	Est. vol.	Open int.
127 128	2.3 1.4		-		2.70 1.96	0.06 0.16	0.48	0.45	Dec	5	115		115-		-	116-01	115-05	_	163,359
129	0.7		1,11		1.34	0.45	0.83	-	Ma		115		115-	-02 -0	-09	115-21	114-26		297,972
130	0.2	7	0.63	(	0.84	1.00	125.274 Puts 1		Jun	1	114-	-26	114-	-1e -0-	-08	114-26	114-12	461	13,668
oc Aur	102.24 101.38	102 100	70	+0.23 -0.77	102.53 101.70	102.1 100.9		21414 241866	Dac Mar	•	126. 126. ures ele	.36	sed on	APT. AL C		126.86 126.46 west figs.	126.59 126.16 see for pr	494 2070 twicus day.	ne.
UK G	ILTS I		135		_ 57 1	vedi			Yield				eck				Yieid		_52 yeak
	Notes			Price £ +		Line		Notes In		Price S	+0-	High	Low			Notes (		ica£ +ar-	
	e up to files Y		4.20	10042	10717		rad 71 <sub>2</sub> pc 20064‡			99[]4	-3 1			index-Links		_0j		14975 1	1127 111
nee 13%pc 19	1997#	10.41		100 <u> </u> { 100 <b> </b> {}	一 70%		28 74pc 2006##		7.55	1014	-13		962	4°256 '98 2°256 '01		35.69 0.4 (76.3) 21		11353 <u>A</u> 1854 3	114% 111,
लिस दिल रेक्ट	: 1997科	6.97	6.40	190 🖢	10143	100]} _'	eus Boc 2002-644 eus 11 ber 2007-		1.46 7.44	10233		1947	97% 11813	21 <sub>205</sub> 103 41 <sub>605</sub> 104		O'8.80 2	88 3.30	1812 -	1823 171 119 112
ress 8 kpc 19		8.61 13.99			一 1973		ses 11 kpc 2003- ses 8½pc 2007 #3		7.55			125点 198값	110년	2pc 106	#0	25.69 2.69.53 3.6	94 3.32	18월 - 국 1918 - 국	119 112
ach 15pc 199 ach 93usc 19		9.44			+ል 106%		ses 9pc 2007			110%		1124	100品	2 <sup>1</sup> 206 '09		788 1	19 3,43	1854 - 1812 - 1913 - 19	1927 179 1732 161
reas 71apc 15	996#	7.19	6.66	100}2	+1 10918	100,7	sas Spc 2009	7.00	7.64	1047		10433	9623	21 <sub>2</sub> 0c 11.		746 3	26 3.46	1782	179R 166
mas 15 <sup>1</sup> 300	98#	13.53 10.98	6 18 6 00	114 <u>14</u>	122% +\d 114%		nas 8 1/4pc 2010			8711		892	614	2 <sup>1</sup> 200 '13. 2 <sup>1</sup> 200 '16		(60.2) 3.1 (61.6) 3.1	81 3.50 36 3.54	146第 一点	148 138, 157% 145,
seh 12pc 199 reas 9 <sup>1</sup> apc 18	900±±	10788			+4 1082		ov 950: Ln 2011 #	-	7.68	1112	-	11313	104%	21 <sub>20</sub> c 20		83.0) 3.4	d 3.57	1 <b>50</b>	1514 136
man Pilig Rasi	# 1999	-	-10		100,	907			-		-,-			2100C 24		97.7) 1.4 35.1) 3.4			
teh 124pe 19	909	11.02	6.88 6.06	1112	116弘 +4 112弘	110 <u>12</u> 107								4 <sup>2</sup> gs 30					1244 115
nas 181 <sub>2</sub> ce 1 nas 600 1998		9.72 8.13	6.92	9711	-L 994	9G								10% and	(2) 5%	(b) Floure	n rane on Sin penent	proposed in heres sixem	elletion of (1 PIPT besse to
opension 10 <sup>1</sup>		9.45	7.05	10314	- 12版 - 子 10服	10713	_ Ed V							indexing (	e 8 mp	nthe prior t	to iteaue) er	nd have bee	d beteujbe n
oav 9pc 2000		8.53	7.09	10512	- 100张	10313 01	ur Filtman Year? 126 Spc 2012‡‡ —	8.08	7.68	111 <b>G</b>	-1 <u>4</u>	1143	10462	reflect ret	esting o	APT to	100 in Fe	bruary 1987	Comversio
reas 13pc 200		11.00 12.73	718 8.60	110½ 100)1	- A 124B - 사 17X		ias 5 <sup>1</sup> 200 2008-1				-44 -44			163.8.	O. 111	KAT MERCIN	1890. 151	.a and for (	october 1996
14pt 195 1886 Spc 2004		7.78	7.14 10				ras Spc 2013## _			10212	-11/2 1		95;1						
ess Pig Root	2001	5.88	-				26 7 Lpc 2012-1			NOTE:	-5		6275						
nes 10pc 204	Ø1	9.09		110		10013	na 800 301542 -			102274	44		954	Other	Fixe	d inte	rest		
ess /pc 2001	#	790	7.26	99/2	-ig 101&	ev-2	SE 8 Lpc 2017#			1102	-1,2 1		1025						
							n 12pc 2013-17			42/01	1						_ Yield		_ 52 week,
							as Spc 2021## -		7,841							itotas ir	a Red (	3 m 2 + gr -	High Lo
												_	_	Anlan Der K			54 7.88	11843 -16	1204, 111
na lo Filher						_								87mm 11 <sup>1</sup> 25	c 2012.	14	8 a.17	12912	12912 119
rem 7pc 2002		& 78	7.25 7.58	199 . 1111.	— 993 - 1144	09 108%								Poland Cap I Sec Cap 19		U		103%	105% 105 104 10
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# 446

MARKETS REPORT By Simon Kuper The pound sank on the third day running, hit by profit taking and a comment by Mr Eddie George, governor of the Bank of England.

that he saw no need for a dramatic UK rate rise. Sterling lost 3.1 pfennigs against the D-Mark to close in London at DM2.530, 11 pfennigs below the peak it reached in Asian trading

early on Tuesday morning. The dollar had a rollercoaster ride against the yen. It ended the day Y0.6 down against the Japanese currency at Y112.5, mainly because Mr Risuks Sakaki- 0.9 pfennigs against the bara, director general of the D-Mark to DM1.554, despite Japanese finance ministry's poor German unemployment international finance bureau, had questioned whether the US supported a rise in the dollar.

Asked about comments by Mr Robert Rubin, US treasury secretary, that tha

POUND SPOT

said: "It's a strong dollar, not a stronger dollar." Foreign exchange traders call

the currency. denied overnight rumours monetary policy. that he sought a rate of Y108-110 for the yen against target zone. We are not figures. thinking of guiding the foreign exchange rate to a cer-

tain zone," he said. The dollar, which had soared on Tuesday, was also hit by sales of US Treasury bonds yesterday. It dropped

One month Pate %PA

2.6 2.9 2.5

-1.8 2506.42 2.9 51.7673 3.3 2.8148 1.4 10.554 -0.9 256.213 -0.9 213.134 0.1 11.0822 4.5 2,1208

1.3096 1.8. 1.3052

2.2084 2.8 2,1958

51.7678 8.6321

17,6930 17.7587 01.8400 52,0323 9,8325 9,6727

8,4973 8,5273

01.8400 9.8325 7.5100

2.5706 2.5145 2.5277 403.885 395.378 -0.9997 0.9937 0.9951 2527.27 2472.92 2498.92 253.170 51.8400 52.0323 2.6881 2.5199 2.8303 10.7343 10.5056 10.574

1,8475 1,8101 1,7090 1,6840 2,2322 2,1840

5,4135 5,2758

Dec 0

7.5657 -0.0303 290 - 314 2.5706

-3.683 062 - 600 -0.0028 945 - 963 -22.11 338 - 686 -0.6147 126 - 018

1,3115 -0.0128 108 - 122

1,6273 -0.0109 267 - 278 1,6840 -0.0094 631 - 848 2,2119 -0.0016 104 - 128 12,8969 -0.0458 289 - 449 1,6275 -0.011 270 - 280

BASE LENDING

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12,5839 -0.0871 792 - 885 12,7419 12,4513 58,2727 -0.3838 978 - 475 59,0870 57,8490

-0.06 222 - 358 -2.27 038 - 280 -0.029 012 - 045

strong dollar was in Ameridata. That still left it above can interests, Mr Sakakibara the DM1.50-1.55 zone in which it had traded for

The Bundesbank council currency markets for the Mr Sakakibara "Mr Yen" in meeting left German interest tribute to his power to move rates unchanged, as expected. That diminished hopes Earlier, the dollar had that Germany might meet recovered against the yen French demands to boost the after Mr Sakakibara had dollar by means of looser

> But trading was thin ahead of Christmas and the dollar. "We don't have a today's US non-farm payroll

> > The main reason why sterling fell yesterday was that traders wanted to take their profits on the currency's rise before the end of the year, said foreign exchange strategists.

> > Mr Tony Norfield, treasury London, said: "Wa're seeing made any money out of in the past few months." He pointed out that the lira, which like sterling had risen

> > > 2.2 - - 3.0 50.5723 3.0 2.5 9.4532 2.5

0.5 0.9875 0.8 -1.8 2510.92 -0.6

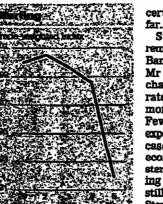
-1.8 25/10.92 -0.5 3.0 50.5723 S.0 3.3 2.7413 3.4 1.2 10.449 1.3 -0.9 -1.3 -0.7 213.134 -0.2 0.1 11.0698 0.1 4.3 2.0494 4.4

1.8



for much of the year, also fell yesterday, closing L3.4 down at L986.2 to the

Mr George's comments on interest rates did have some economist at ABN Amro in impact, however. He told the House of Commons treasury another leg of selling every-select committee: "We don't thing in sight that you've see an urgent need for a draselect committee: "We don't matic step." When asked if he foresaw no rate hikes before the general election, due by May, he replied: "I



CURRENCIES AND MONEY

D-Mark.

4,6505 -0.0157 480 -5,2522 -0.0249 012 -1,5547 -0.008 544 -

1.7438 8.5048

7,7320

3,2744

(Won) 880,550

-3.2 250 - 370 -0.78 300 - 650 -0.009 434 - 442 -0.0132 029 - 066

-0.89 030 - 130 -0.8 700 - 730 +0.0152 070 - 183

1.5174 -0.0055 189 - 179 1.6275 -0.011 270 - 280 1.2410 +0.0037 407 - 412

0.9899 +0.0001 898 - 969 1.0347 +0.0012 345 - 349 1.3589 +0.0081 586 - 582 7.8875 +0.025 850 - 900

+0.0019 520 - 580 -0.0013 315 - 325

-0.0146 712 -

112.540 -0.63 500 - 580 2.5210 -0.0008 207 - 212

certainly wouldn't go that currency markets when Strategists took his Bank would not plead with chancellor, to raise base rates at next Wednesday's monetary policy meeting.

Few City economists had expected a rate hike in any case. But many currency economists had, and short sterling futures, even allowing for their rise yesterday, still price in a rate increase. Sterling's autumn surge has expectations of UK rate

■ Mr Sakakibara said yesterday that authorities should not try to fight the

E OTH		H	RESIC	2.0		
Dec 5		3			\$	
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Hungary	260,483	-	260,724	160,100	-	160
	4884.00	۱-	4881.00	3000.00	-	300
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32,2260 32,0100 5,9812 5,9482 4,6801 4,8365 5,2787 5,2457 1,5835 1,5527

245.810 244,150

1,3220 1,6479 1,2420

0,9999 1,0349 1,3596 7,8900

7 +4.5 500 - 590 113,300 112,400 1 7 -0.000 207 - 212 2,525 2,5185 2,5185 1,4207 223 1,4223 1,4207 25 2,5185 25 2,5185 25 2,5185 25 2,5185 2,

FUTURES OPTIONS

1,2547 1,2520 7,7329 7,7315 35,8650 35,7700 1,2520 7,7315

1,8175

1.6540 1.9175 1.6346 1857.00 1527.65 1596.27 32.2250 32.0100 31.9675 1.7537 1.7419 1.74 6.5585 6.4910 6.5011 157.670 156.850 157.285 131.480 130.650 130.865 6.8328 8.7815 6.8089

1.3125 1.9103 1.2355

1.0337

3.2891 3.2571 113.300 112.400 112.065 5.1 2.5250 2.5185 2.5238 -1.4 1.4223 1.4207 1.427 -4.8

31.9875 5.9488 4.8417 5.2439 1.5518 248.305 1.6345

1,3135 1,6267 1,2424

1.254 -1.4 7.7319 0.0 36.02 -7.2

3.7508 -0.1 1.3993 1.8 4.7107 -10.5

31.88 5.9292 4.623 5.2259 1.5458 248.875

1,6342 1542.7 91,86 1,732 6,4954 157,58

131.155 B.7991

1.3057 1.624 1.2455

1.2559 7.7325 36.48

3.7512 1.3947 4.7857

111.06 5.3

exchange rates mirrored economic fundamentals. "We remarks to suggest that the must respect the markets." he said. "The moves in the Mr Kenneth Clarke, the foreign exchange market this past year follow funda-

mentals.

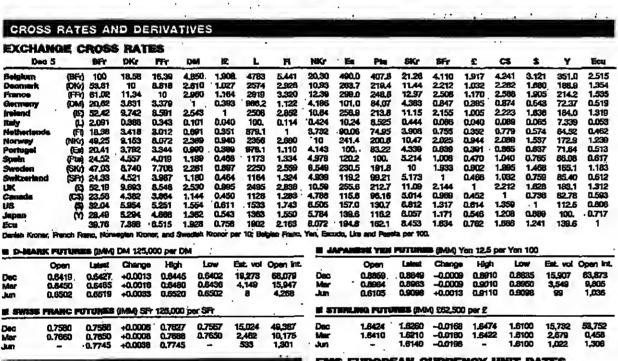
strategists believe that despite his protests, he is targeting an exchange rate for dollar/yen. Directly after the US election last month he appeared to talk up the yen, and his comments about Mr Rubin yesterday been mainly due to market had the same effect. On both occasions the ven was weaker than Y113 when he made his comments. But Mr Sakakibara followed last month's pro-yen statement with dampening remarks. Foreign exchange strategists said this was because he feared the currency rising

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### WORLD INTEREST RATES MONEY RATES 2.50 2.50 6.00 3.20 4.50 8.00 3.00 1.00 5.00 M & LIBOR FT London US Dollar CDs ECU Linked De

Dec 0			days	One	Three	Sex	One
	t	em n	ctice	month	months	months	year
Belgian Franc			- 2년	3 <sup>1</sup> e - 3	3 <sup>1</sup> 8 - 3	34 - 34	3 <sup>1</sup> 4 - 3 <sup>1</sup> 8
Danish Krone			- 3 <sup>1</sup> 2	35g - 31 <sub>2</sub>	3냲 - 3월	363 - 312	35 - 30
D-Mark			- 342	34 37	3 <u>4</u> 2 - 3 <sup>1</sup> 8	3 <sub>32</sub> - 3 <sup>1</sup> 8	34 - 3
Dutch Guilde		- 212 21		9 - 2%	31 - 21	3½ - 3½	37. 31
French Franc	3,7	- 37 37		3년 - 2년	316 - 316	3월 - 5층	31 <sub>2</sub> - 31 <sub>8</sub>
Portuguese E		- 853 67		613 63	673 - 675	6,7 - 6,6	65 - 65
Spanish Pesi			- 이	651 - 65g	613 - 813	63g - 61g	61g - 61g
Sterling Swiss Franc	972 17 <sub>8</sub>		- 5/2 - 13	618 616 21 21	63 - 63	라도 - 6년 2년 - 2	615 - 613 214 - 214
Carl Doller			- 27	3 - 27	21 <sub>2</sub> - 2 3 - 27	3, 219	31. 31
US Dollar			- 54	563 - 513	5l2 - 5l3	517 - 514	513 - 512
Italian Lira			- 75	75 - 75	74 7	87 - 613	6.2 - 613
Yen		- 3		13 - 2	7 1	7 - 8	ü - B
Asten SSing	312		- 3 <sup>1</sup> 2	352 - 312	34 - 37	312 - 314	312 - 314
Short term rat	ms are d	all for the U	S Doller	and Yen, ot	hers: two day	ys' notice.	
THREE I	HONTH	PEROR F	UTURE	is (Matif)f	aris Interber	k offered ra	de
	Open	Sett price	Chan	ge High	LOW	Est. vol	Open int
Dec	96.55	96.55	-0.0	1 96.56	96.55	11.597	36,292
Mar	96.60	. 96.80	-	96.65	96.58	19,236	66,331
jun	96,60	98.58	-0.0	2 98.64	96.56	7,080	38,931
THREE I	HONTH	EUROMA	JIK FU	TURES (L	FFEY DM1	m points pi	100%
	Open	Sett price					Open Int
Dec	98.79			_	••		
Mar	96.86	96.76 96.83	-0.03 -0.03			3966B	101775
hun Mes	96.80	96.76	-0.03			43364 36864	210203 176783
Sep	98.67	96.83	-0.05			36797	139845
ONE NO							
OPE NO							
	Open	Sett price	Chang	e High	Low	Est, voi	Open int
	96.72	96,70	-0.02			538	4025
	96.89	96.89	-0.01			382	4679
	96.91	96.89	-0.02		96.8B	674	2303
	96.91	96.85	-0.02		96.85	233	1081
	HYNOR	EUROLIF	A PUT	URUES (LIF	FE)" L1000r	n points of	100%
	Open	Sett price	Chang	a High	Low	Est, vol	Open int
Dec	92.96	92.94	-0.02		92.89	12228	82590
	93.66	93.68	-0.02	93.72	93.81	15008	82562
	93.99	94.01	-0.01		93.98	5551	48018
	94.13	94.14	-	94.20	94.12	3869	29459
THREE MC			ERANC				
	Open	Sett price	Chang	e High	Low	Est. voi	Open int.
	97.89	97.82	-0.05		87,80	3420	24636
	97,93	97.87	-0.04		87.80	9431	34068
	97,93	97.80	-0.02		97,80	1804	16105
	97,64	97.81	-0.02		97,60	557	6784
THREE N	нтиов	EUROYE	K FUTU	rees (LIFF	E) Y100m p	coints of 10	10%
	Open	Sett price	Chara	e High	Low	Est vol	Open Int.

	Open	Sett price	Change	High	LOW	Est, vol	Open i
Dec	92.96	92.94	-0.02	92.98	92.89	12228	82590
Mar	93.66	93.68	-	93.72	93.81	1500B	8256
Jun	93.99	94.01	-0.01	94.08	93.98	5551	4801
Sep	94.13	94,14		94.20	94.12	3869	2945
THREE	MONTH E	URO SWISS	FRANC FL	TURES (	JFFE) SF11/	points of 10	10%
	Open	Sett price	Change	High	Low	Est. vol	Open i
Dec	87.89	87.82	-0.05	97,89	97.80	3420	24636
Mar	97.93	87.87	-0.04	87.98	87.80	9431	34060
Jun	97,93	97.80	-0.02	87,89	97,80	1804	1610
Sep	97,64	97.81	-0.02	87.70	97,60	557	6784
THRE	E MONTH	EUROYE	FUTUR	es (LIFF	E) Y100m j	points of 10	10%
	Open	Sett price	Change	High	Low	Est, vol	Open i
Dec	99.47	99.49	+0.01	89.49	99,47	2556	na
Mar	99.43	99.45	-0.01	99,45	99.43	2111	na
Jun	99.33	99.33	-0.02	99.33	99.32	208	па
THRE	E MONTH	ECU FUT	uraes (Lu	FFE) Ecu	1m points	of 100%	
	Ореп	Sett price	Change	High	Low	Est. vol	Open h
Dec	95.85	95.84		95.87	95.84	921	8325
Mar	95.91	95,90	-	95.95	95.89	907	6865
Jun	95.91	95.90	-0.02	95,95	95.89	194	3661
Sep	95.90	95,66	-0.03	95.93	95.87	397	3238
LIFFE W	LIRA OPT	aded on APT NONS (LIFF	12) L1000r	n points	of 100%		
Strike	-	CAL	<u> </u>			PUTS -	
Price	De	C Ma	r .	kun	Dec	Mar	Jun
9275	0.2	2 0.9	5 1	.32	0.03	0.04	0.08
9300	0.0	5 0.7	3 1	.11	0.11	0.07	0.10
-300							



EMS EUROPEAN CURRENCY UNIT RATES UK INTEREST RATES LONDON MONEY RATES 0.76182 + -0.007088 5.78258 -0.00419 195.396 -0.347 162.846 -0.361 195.826 -0.00495 2.17045 -0.00496 39.8794 -0.00496 1.93498 -0.00421 13.6144 -0.0243 7.40955 -0.01184 8.58732 -0.01301 0.786709 5.85424 197.398 163.826 1906.48 2.18673 39.27191 1.92573 13.5485 7.34565 6.45863 treland
Finland
Finland
Portugel
Spain
Italy
Netherien
Belgium
Germany
Austria
Denmark
France 6.11 2.47 2.26 1.83 1.20 1.19 0.81 0.73 0.73 0.34 0.00 Over- 7 days One night notice month -4.51 -1.22 -1.02 -0.60 0.02 0.03 0.40 0.48 0.49 0.87 64 - 52 51 - 52 64 - 8 62 62 62 7 - 62 63 - 61 Sterling CDs Transury Bills 9-12 months tip to 1 1-5 3-6 6-9 month month months months NON ERM MEMBERS Greece 285,260 Carts of Tax dep. (£100,000) 2<sup>1</sup>2 5<sup>1</sup>2 5 0 4<sup>3</sup>4

Carts of Tax dep. (£100,000) 2<sup>1</sup>2 5<sup>1</sup>2 5 0 4<sup>3</sup>4

Carts of Tax dep. ender £100,000 in 2<sup>3</sup>290. Deposits witentrever for cash 1<sup>3</sup>4po. Ave. bender reto of discount on Nov 25, 6.7325pc. ECSD their rate 58tg. Export Finance. Make up day Nov 25, 1996. Ayaned rate for period Dec 25, 1996 to Jun 25, 1997, Scheme 31 7.51pc. Reference rate for period Nov 1, 1995 to Nov 29, 1996, Soberture N & V 6.873pc. Finance House Base Rate 6<sup>1</sup>4pc from Dec 1, 1996 304,668 +0.057 0.785698 +0.009724 IN THREE MORTH STEPLING PUTURES (LIFTE) 2500,000 points of 100% +0.06 93.64 +0.10 93.48 +0.08 93.19 +0.06 92.96 +0.03 92.32 93.54 93.27 92.98 92.76 92.62 22142 95673 54334 107691 -53254 97286 23214 59389 6668 40630 93.61 93.38 93.08 92.84 92.69 2.37 1.81 1.42 0,56 0.94 · 1,45 1.630 1.640 1,650 1.83 1.22 0.76 93.27 92.99 92.77 1.80 2.15 Dec PUTS Mar Strike Price 0.37 0.59 0.835 0.640 0.645 1.44 1.14 Jun 0.02 0.15 0.39 0.11 0.03 0.01 0.02 0,01

		# THE	E MONTH	RIRODO	ALAB (MA	9 \$1m poi	nts of 100	%	
SE LENDING RATES		Dec Mar	Open 94.50 94.52	94.51 94.51	Changa -0.01	High 94.51 94.53	94.50 · 94.50	Est. vol 24,334 48,781	Open in 383,898 405,688 300,20
Albies ( sheet early, day	Weststrater 83		94.48 REABURY	94,41 <b>ma</b> ll <b>PU</b> Y	-0.02 <b>URES</b> (NO.	94.45   \$1m per	94,38	39,570	3,01,20
Eister Bank Umted 7.00 Ro Francial & Gen Bank 7.00 eS eRobert Fleming & Co6.00 eS Ghobert 5.75 Soc	ee Brothers 6/ yel Bit of Scotland 6/ Inger & Friedlander 6/ yelth & William Secs 6/ gleb Wildows Bank 8/	00 Dec 00- Mer 00 Ali Openii 00 Ali Openii	95.05 94.96 Market Top. :		+0.01 -0.02 loss day IFFE) DM1sr	95.05 94.97 points of	95.05 94.94 100%	205 924 111	1,147 4,645 2,028
1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	s Lied Basek of Kuwalt & L Ly Truct Basek Pic & L	00 Strike	Dec	CX	Feb Mi			PUTS —	Mer
Heritable & Clain Biv Bit, 8.00 Western Brancott B.00 Win House & Co. B.00 Your House on a Shannahal 6.00	elect Truck 6.1 Segrany Labilizar 6.1 Septing Sanik 6.1 Vegalanis of Landon	00 9676 00 9700 00 9725	0.03 0 0 0	0.13 0.08 0 0 00 Pate 25	0.13 0.1 0.03 0.0 0 0.0 23. Predom 110008 (LF)	6 - (1.24 1 - (1.49 day's upon	0.05 0.20 0.42 inc. Calls 1		0.08 0.21 0.43 s. 348221
Chapter Lough & Sons 6.00 Liggin Bank 6.00	rvestment Barking Passociation	Strice Price			F. 'y		ec .	PUTS Mar	Jun
Michael Brank 6.00 1 Michael Corp 5.25	n adolekskation -	9800	0.00					0.34 0.49	0.51 0.54



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# European central bank said to have sold gold

MARKETS REPORT

By Kenneth Gooding and Deborah Hargreaves

The gold market yesterday was awash with rumours that a European central bank had been selling gold overnight. Traders sted 600,000 ounces, or 18.7 tonnes, had been sold, and this was followed with heavy selling by investment funds.

Analysts noted that it would probably take months to confirm any sale. Portugal's central bank earlier this week denied it had sold gold, and yesterdey the Belgian central bank said the same.

Central banks have about 35,000 tonnes of gold in their reserves. Mr Andy Smith, analyst at UBS. has said that the 10 central banks with the most gold between them are giving up more than \$15bn a year in interest earnings.

At the morning "fix" in London, gold was \$368.30 an ounce, not far in stocks. above the three-year low reached on Tuesday. By the close, it had recovered slightly to \$370.

On the Loudon Metal Exchange copper prices eased again in late trading as traders suggested there would be another increase in stocks reported by the exchange today. It was rumoured that 4,000 tonnes of the metal had arrived in US warehouses and Singapore cents to \$3.74 per million British Crude oil traded higher on news See Lex

Copper for three-month delivery on the LME ended late trading at \$2,179 a tonns, down \$29. The premium for copper for immediate delivery eased \$15 to \$152.50. Natural gas futures on the New York Mercantile Exchange surged to e new high in early trading

yesterday, with the January

Henry Hub futures contract up 23

remained strong. Prices were oil workers strike. North Sea buoyed by a reported fall in US Brent futures at London's Internagas stocks last week of 104bn cu tional Petroleum Exchange rose ft, and a forecast for colder 36 cents to \$24.14 a barrel near the weather later this week. Stocks end of the day. fell to 217bn cu ft - 8 per cent

below year-ago levels. oil products and crude, where gasoil futures at the IPE were up stocks are already extremely low. \$5 to \$229 a tonne.

was also expected to show e rise thermal units. Prices later lost of a fire at a plant in Louisiana about 10 cents, but the market and an escalation in the French

The physical market was also strong, with January Brent up 43 Prices are being pushed up for cents to \$24.11 a barrel. December

# Launch date set | Subsidy regime blights exotic harvests for ship index

By Deborah Hargreaves

smaller, more versatile carriers which are winning a larger proportion of world

The exchange is expected to announce the creation of its Handymax index on Monday. It will be based on four timecharter routes with an imaginary ship made up to represent e typical Handysize carrier.

Handymax ships carry general cargo such as steel as well as dry bulk cargoes including coal. "It is a market that is moving very fast and expanding rapidly with a lot of people getting into lng typical grain routes in it," said Mr Basil Mavroleon, the index, as this would chairman of the Baltic freight index committee.

The current Baltic freight index is based on larger Pan- based shipbrokers, will amax ships, which navigate the Panama canal, and Capesize carriers, which travel round the Capes. The Handysize ship on which the new index is based is a 43,000-tonne deadweight carrier with four 25-tonne

Many of the new carriers under construction are Handysize - which means they ranga from 10,000 tonnes to just over 40,000 tonnes deadweight.

Brokers are already offering hedges in Handysize The Baltic Exchange will routes in the over-thelaunch on January 7 its new counter market and the new shipping index based on the index will provide a reference for settling those. It could also form the basis of

a futures contract. Critics have complained that the BFI - which is based on 10 routes - is too hroad for bedging specific shipments. The Handymax index is more narrowlybased and should more closely represent the physical trade.

Mr Mavroleon said the exchange was also looking at using its panel of shiphrokers to work out settlements on certain grain routes. It had decided against includhave made it less effective as a bedging tool.

• SSY group, the Londonbecome the latest shipping company to move into the growing freight derivatives business when it launches its own futures offshoot ou

The company is looking to develop new products based on the Handysize index. It is elso considering forward freight agreements based on coal-orientated routes and 1m-barrel sized tankers on the route from west Africa to

🥆 amelina. Linola and Lunaria conjure up images of three lovelorn sisters in an obscure operetta. In fact they are exotic "niche" crops with exciting market opportuni-

ties for European farmers. From oilseed rape to hemp, flax and borage, niche crops bave an expanding range of uses, including cosmetics, pharmaceuticals and car manufacturing. But many also face obstacles soch es lack of start-up finance, planting restrictions and farmer registance

Camelina, for example, could be a major European oilseed overnight" if lt attracted the sort of subsidies received by oilseed rape, says Mr Andrew Hebard. managing director of Kings, an Essex-based agricultural merchant specialising in niche crops. Also known as "gold of

pleasure", camelina is prized for its fatty acids. These are useful in drying paint and are being pionesred ln France for cosmetic use. The crop has the advantage of falling outside the 1993 Blair House deal on agricultural trade - which allows the European Union and the US to protect some agricultural subsidies until 2003 - and is cultural Policy reform in not covered by restrictions on offseed production.

Bot, being unsubsidised, £800 a tonne, compared with £340 for rapeseed oil, says Mr Hebard. He is lobbying Brus-



to widen farmers' choice of crops. "It would nice to crops have succeeded think there was some equality in the development of put off by the annual variathese new crops," be says. Interest in the non-food uses of crops blossomed in

the EU after Common Agri-1992 led to the start of setaside. Crops such as oilseed rape and linseed for induscamelina oil would trade at trial use attract subsidies on set-aside land.

Ms Mara Ramans, an agricultural botanist and expert cal will in the UK, and the

on nichs crops, says only a few of the 1993 experimental because farmers have been tion in the set-asida rate and the bureaucratic and finan-

ing specialist markets, The winners include "donbla low" oilseed rape. Active government support in Austria. France and Germany ensures that this has a market as biodiesel - fuel made from grain. A lack of politi-

878 117 681

availability of other non-reneweble anergy sources mean "most of our UK oilseed rapa production for blodiesel is bound for France", Ms Ramans says.

She says high erucic acid rapeseed is also a popular with 15,000 hectares harthe EU total. The plant's oil can be converted to erucimide, the agent used in polythene bags to make them easier to open.

set-aside crop in the UK, vested this year, nearly half

Calgene, the US biotech-

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs

nology company, has geneti-cally engineered an oilseed rape plant to produce lauric acid - used in soaps and detergents, chocolate coatings and whipped dessert toppings. As It is found primarily in coconut and palm kernel oil, the UK imports £46m of lauric acid a year.

The potential for import substitution is therefore considerable. But its status as a genetically modified organism means it can only be grown in the UK under gov-

ernment licence. Other subeidised crops includa linola, which produces sunflower-quality edible oil; and short-fibre flax, which Mercedes is using for car door panels and sound insulation. Hemp fibre is used in the paper and textiles industries and the core is sold as blodegradable

borse litter. Unsupported crops with potential include borage, e source of gamma linolenic acid used in drugs and dietary food supplements, and lunaria - or bonesty - a semi-wild source of nervonic acid, which is believed to have therapeutic benefits for diseases such as multiple

"In future we may all be growing for unsupported markets," says Ms Ramans. "Niche crops ... may become a precious profit opportunity in a fiercely competitive commodity market."

Alison Maitland

### **BSE** cuts EU beef trade 32%, study says

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G.

By Frances Williams

European Union beef trade bas fallen 800,000 tonnes this year as a result of the "mad cow" disease crisis." according to a new market research study:

The unpublished study, by the Geneva-based Gira Meat Club, found beef trade fell from 2.5m tonnes in 1995 to 1.7m tonnes this year, on a 15 per cent fall in EU beef consumption, including a 25 per cent slide in the UK.

The biggest drop in demand has been in countries heavily reliant on beef imports such as Italy (21 per

cent), Greece (25 per cent) and Portugal (31 per cent). The drop in EU consumbtion, and the build-up of EU intervention stocks to an estimated 600,000 tonnes by the end of this year, means the whole heef industry faces overcapacity problems in 1997, the study warns.

Without greater quality controls on the fragmented output chain, the industry's troubles will continue. It

Members of the Gira Meat Club, which has produced annual surveys of the global include official meat boards, meat and meat product producers, retailers and catering groups. Gira says that despite gains in the range of 2-3% in consumption of meat consumption in the EU has fallen about 450,000 tonnes this year as consumers have turned to non-meat protein foods such as cheese

and eggs. The bovine spongiform encephalopathy crisis erupted in March when the British government admitted the possibility of a link between BSE in cows and a similar brain-wasting disease in bumans.

### COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE

	Cash	3 mths
Close	1498.5-09.5	1526-27
Previous	1509.5-10.5	1537-8
High/low	1503	1536/1519
AM Official	1502-03	1532-32.5
Kerb close		1522-23
Open Int.	248,865	
Total daily turnover	41,506	
ALUMINIUM AL	LOY (S per to	nne)
Close	1330-40	1362-65
Previous	1340-50	1370-80
High/low	1370/1362	
AM Official	1340-45	1365-67
Kerb close		1360-65
Open Int.	6,368	
Total daily tumover	746	
■ LEAD (\$ per ton	ne)	

LEAD (\$ per ton	ne)	
Close	686-87	692-82.5
Previous	675-7	683-5
High/low	685.5	694/689
AM Official	685-86	691.5-92.0
Kerb close		690-91
Open Int.	38,983	
Total daily turnover	9,257	
IN NICKEL (\$ per 10	ormo)	
Close	6810-20	6890-900
Previous	6845-55	6930-40
High/low	6815	6920/6880
AM Official	6820-25	6890-95
Kerb close		6870-80
Open int.	48,254	

AM Official	6820-25	6890-95
Kerb close		6870-80
Open int.	48,254	
Total daily turnover	9,063	
■ TIN (5 per tonne	ı	
Close	6065-70	6095-100
Previous	6050-60	6085-95
High/low	6085	S120/6090
AM Official	6084-85	6110-11
Kerb close		6065-90
Open mt.	15,576	
Total doly tumover	3.065	
ZNC, special in	igh grade (\$ p	er tonne)
Close	1042.5-43.5	1065-66
Previous	1042-3	1065-6
High/low	1047	1071/1065
AM Official	1046.5-47.5	1069-70
Kerb close		1065-66
Open int.	83,358	
Total daily turnover	9,257	
E COPPER, grade	A (\$ per tonn	e)

Close	2353-58	2193-95
Previous	2367-72	2197-8
High/low	2387/2385	2215/2179
AM Official	2384-86	2214-15
Kerb close		2179-80
Open int.	169,987	
Total daily turnove	65,027	
LIME AM Offic	:iai £/\$ rate: 1. £/\$ rete: 1.626	
Spot: 1 6270 3 rather 1.6	227 E malon 1 C182 I	A meter 1 C170

HIGH GRADE COPPER (COMEX)							
		Day's change	High	Low	Voi	Opes. ist	
Dec Jan Peb Mar Apr May Total	103.45 102.35 101.15 99.65	-0.80 -0.60 -0.60 -0.60	105.75 104.50 103.20 102.30 100.70 88.30	102.75 101.90 100.10 100.70	6,353 157 378		

PRECIOUS METALS III LONDON RULLION MARKET

Gold(Troy oz)	S price	C ecody	SFr equiv
Close	389.80-370.20		Gr. oqua
Opening	369.00-369.40		
Morning fix	368.30		484.867
Afternoon lix	369.00	226,728	486.158
Day's High	370.10-370.50		
Day's Low	367.30-367.70		
Denvisor along	200 40,260 80		

Day's Low Previous close			
Loco Ldn Mi 1 month 2 months 3 months	<u>. 29</u> 1	6 months .	33

3 months	2.93	
Säver Fix	p/troy oz.	US ats equit
Spot	293,35	475.40
3 months	297.55	481.25
6 months	301,90	487.05
1 year	311.30	499.00
Gold Coins	\$ price	.viupe 2
Krugerrand	368-370	220-237
Maple Led	372.45-374.85	-
New Sovereign	86-89	53-55

Precious Metals continued ■ GOLD COMEX (100 Troy oz.; \$/troy oz.) +0.8 372.2 368.8 879 1,747

2 Didai	Feb	373.0	+0.5	374.4	369.5	37,172	94,840
1526-27	Apr	375.0	+0.5	376.1	3/2.2	889	20,640
1537-8	Jeers	377.2	+0.0	378.5	374.7		14.21
1536/1519	Aug	379.5	+0.6	378.4	378.4		5,48
1532-32.5	Dot	381.8	+0.6	382.4	380.2	27	
1522-23	Total					42,029	
	M PL	ATINUM	NYM	EX (50	Troy o	z.; \$/tro	y oz.
허	Jan	375.4	-2.8	378.1	375.0	1,974	17,618
·)	Apr.	377.5	-3.1	379.5	377.0	500	8,670
1362-65	Jul	380.2	-3.3	382.5	381.5	145	1,449
1370-80	Oct	383.1	-3.5	385.0	385.0	21	233
	Total					2,620	27,990
1365-67 1360-65	M PA	الثاطعته	M NYM	ŒX (10	Troy o	z.; \$/v	DY OZ.
10.10 00	Dec	116.30	-0.95	117.50	117.00	34	555
	Mar	118.00	+0.75	119.50	117 75	345	6,989
	Jun	119.25	+0.75	120.50	120.50	40	333
	Dec	121.25	+0.75	-	-	-	17
692-82.5	Total					385	7,902
683-5 694/689	SH.	VER CO	MEX (5,	000 Tro	y oz.; C	onts/tro	(02)
91.5-92.0	Doc	483.0	+3.4	484.D	474.5	553	1,128
690-91	Jan	484.1	+3.0	469.0	469.0	3	24
	The same	489.2		491.5		10,871	
	Way	493.5	+3.0	495.0	486.Q	183	9,032
	Jul	497.6	+3.0	50 <b>0</b> 0	490.0	674	8,320
	Sap	502.3	+3.0	501.5	501.5	10	3,133
5890-900 6930-40 920/6880 6890-95 6870-80	Total					18,467	87,513
	ENE	ERGY	•				
	■ CR	UDE OfL	NYM.	EX (1,0	00 ban	rels. S/	barrell
5095-100 6085-95		Letost price	change	High	Lew	Vol	Open int

	ERGY		EX (1,0	00 ba	rels. S	/ba
		Day's change	High	Lew	Vol	Op Is
Jac	25.30	+0.50	25.50	24.90	45,587	87
Feb	24.64	+0.38	24.85	24.31	21,090	57
Mar	24.00	+0.29	24.20	23.70	5.475	28
Apr	23.42	+0.25	23.85	23.25	3 222	20
May		+0.17				
Jan		+0.15				

		-4-	-	20.20		20,00
May	22.56	+0.17	23.05	22.85	1.768	15,813
Jan	22.41	+0.15	22.50	22.30		28,361
Total		70.10	~~~			388,151
100					91,210	100,131
■ CR	UDE OI	L PE	5/Балте	4)		
	Latest	Day's				Open
	mice	change	High	Low	Vol	int
Jan	24.10	+0.32	24.27	23 96	15,358	43,369
Feb	23.36	+0.31	23.46	23.24	10,455	45,828
Mar	22.63	+0.27	22.77	22.52	4.232	30,689
Apr	22.07	+0.26	22.10	21.83		12,798
May	21.50	+0.16	21.56	21.47		6.356
Jun	20.98	+0.13	21.07	20.98		
	20.90	+4.13	21.07	20.96		12,016
Total					33,480	173,178
■ HE	ATING (	DEL AYA	EX (42,0	000 US 9	alis; c/U	S galls.)
	Latest	Day's				Opeo
	price	change	High	LOW	Vol	int
Jan	74.70	+1.13	75.25	73 78	20,105	42,759
Feb	72.65	+1.05	73.20	71.65	6.412	22 084
Mar	69.00	+0.88	89.30	68.20	2.129	12,465
Apr	64.60	+0.53	65.25	64.40	945	
May	61.70	+0.58	62.00	61.30	677	4.304

Jan Total		+0.36		59 40	956	5,056 112,567
■ GAS	S Off. IF	E (S/lon	ne)			
	Sett price	Day's change	High	Levr	Vol	Opea
Dec Jan Feb Mer Apr Stay Total	227.50 218.25 209.25 199.50	+5.00 +4.00 +3.50 +2.75	228.50 220.00 210.00 200.50	225.00 224.00 216.75 207.00 198.75 194.00	10,248 3,374 1,425 755 10	31,154 10,540 7,349 5,049

otal					24,000	88,863
NAT	URAL	gas m	MEX (10	L000 m	1611; \$	more:
		Dey's change	High	Low	Vol	Open int
هج	3.670	+0.165	3.740	3.495	21,455	39.859
eb	3.310	+0.154	3.320	3,150	7,823	21,783
ier -	2,650	+0.150	2.850	2710	2849	14,204
(pr	2,440	+0.105	2450	2350	745	8,121
lay		+0.070			447	7,067
	2.250	+0.060	2.270	2.210	365	5,423
otal					38,198	146,750
I UNL	EADEI	GASC	JLINE			

لحاد					30,196	140,750	
	LEADEI EX (42,0)						
	Latest	Day's		Low	Vel	Open	
•	68.75	+0.51	99.50	68.10	16.452	31,666	
•	67.40	+0.71	67.00	66.90	5.138	11,616	
	66.85	+0.61	67.40	66.75	2,224	8,158	
T.	68,75	+1.01	68,75	68.40	1,452	3,777	
27	B7.00	-	65.10	67.50	1,189	2,798	
	66.15	+0.16	64.60	94.00	573	2,223	
لعك					27 ADZ	A1 700	

	AINS HEAT LI			IL SE	EDS
•	Sett price	Day's change	High	Law V	ol To

						** ***
Jan	95.20	+0.85	96.00		90	1,589
Mar	97.20	+0.95	97.86		145	2,092
May	98.60	+1.00	99.25	98,00	276	2,193
Jed	100.00	+1.15	100.00	99.25	30	324
Sep	93.25	+0.50			_	2
Nov	95.26	+0.50	95.50		25	- 786
	33.23	40.50	00.00	34.23		
Total					586	6,900
H W	HEAT C	3T (5,D	XXXv m	in; cent	√60tb b	ushel)
	no a test	0.00		-	4 545	4.00
Dec	384.75			377.00	1,517	1,877
Mar.	375.50			366.50		34,002
May	352.00			348.00	1,524	5,244
Jul	332.50	+1.25	333.50	328.00	2,666	16,421
Sept	335.50	-1.50	336.00	333.50	187	726
Dec	344.50	-2.50	347.00	344.50	173	403
Total	D 1 LUU		011,00		17,161	68,769
MA	TE CO.	(5,00	Du m	n; cores	/SOID D	usnel)
Dec	268.50	+2.50	269.50	264.00	8.437	25,689
Mar	267.00			260.50		
May	269.75		270.00			50.474
Jul	271.75					
			272.00			47,588
Sop	266.00		265.50			5,801
Doc	264 75	+1.25	265.00	260 75		33,993
Total					57, <b>52</b> 9 :	393,145
BA	RLEY U	FFE (E	per to	nne)		
Jan	92.00	+0.75	92.00	91.75	100	540
Mar	93.25	+0.85	93.50	93.25	100 30	540 234
Mar May				93.25		
Mar May	93.25	+0.85	93.50	93.25	30	234
Mar	93.25 94.25 93.00	+0.65 +0.65 +0.50	93.50 94.25	93.25 94.25	30 10	234 125
Mar May Sep Nov	93.25 94.25	+0.85 +0.65	93.50 94.25	93.25 94.25	30 10 -	234 125 1 194
Mar May Sep Hov Total	93.25 94.25 93.00 95.00	+0.65 +0.65 +0.50 +0.50	93.50 94.25	93.25 94.25	30 10 - - 135	234 125 1 194 1,064
Mar May Sep Hov Total	93.25 94.25 93.00	+0.65 +0.65 +0.50 +0.50 +0.50	93.50 94.25 - (5,000b	93.25 94.25 min; ca	30 10 - 135 nts/602	234 125 1 194 1,064 bootlet)
Mar May Sep Hov Total	93.25 94.25 93.00 95.00	+0.65 +0.65 +0.50 +0.50 +0.50	93.50 94.25 - (5,000b	93.25 94.25 min; ca	30 10 - 135 nts/602	234 125 1 194 1,064 bootlet)
Mar May Sup Hov Total M SOY	93.25 94.25 93.00 95.00 YAREAI	+0.65 +0.65 +0.50 +0.50 +0.50 +5.00	93.50 94.25 (5,000to 704.60	93.25 94.25 min; ca	30 10 - 135 nts/602:	234 125 1 194 1,084 hashed)
Mar May Sop Hov Total M SOY Jan Mar	93.25 94.25 93.00 95.00 YABEAN 702.00 697.25	+0.65 +0.65 +0.50 +0.50 +0.50 +5.00 +6.00	93.50 94.25 (5,000to 704.00 698.50	93.25 94.25 min; ca 689.00	30 10 - 135 nts/6025 27,464 10,156	234 125 1 194 1,064 hashel) 62,402 38,638
Mar May Sop Hov Total M SON Jan Mar Mar	93.25 94.25 93.00 95.00 702.00 697.25 694.25	+0.65 +0.65 +0.50 +0.50 +0.50 +5.00 +5.00 +5.50	93.50 94.25 (5,000a 704.00 698.50	93.25 94.25 min; ca 685.00 685.00	30 10 - 135 - - - - - - - - - - - - - - - - - - -	234 125 1 194 1,064 bashet) 62,402 38,638 21,952
Mar May Sep Hey Total M SOY Jan Mar May Jul	93.25 94.25 93.00 95.00 702.00 697.25 694.25 694.00	+0.65 +0.50 +0.50 +0.50 +0.50 +5.00 +5.00 +5.25	93.50 94.25 (5,000b 704.00 695.00 685.00	93.25 94.25 84.25 889.00 685.00 685.00 683.50	30 10 - 135 18660b: 27,484 10,156 2,414 3,758	234 125 1 194 1,064 bashet) 62,402 33,638 21,952 20,511
Mar May Sup Hov Total M SO <sup>*</sup> Jan Mar Mar May Juli Aug	93.25 94.25 93.00 95.00 702.00 697.25 694.25 694.00 692.00	+0.85 +0.55 +0.50 +0.50 +0.50 +5.00 +5.00 +5.25 +5.00	93.50 94.25 (5,000to 704.00 696.50 695.00 685.00 692.00	93.25 94.25 889.00 685.00 683.50 682.00	30 10 - 135 1860b: 27,464 10,156 2,414 3,758 363	234 125 1 194 1,064 brashet) 62,402 38,638 21,952 20,511 2,633
Mar May Sop How Total III SOY Jan Mar Mar May Jul Aug Sep	93.25 94.25 93.00 95.00 702.00 697.25 694.25 694.00	+0.85 +0.55 +0.50 +0.50 +0.50 +5.00 +5.00 +5.25 +5.00	93.50 94.25 (5,000b 704.00 695.00 685.00	93.25 94.25	30 10 - 135 1860b: 27,464 10,156 2,414 3,758 363 102	234 125 1 194 1,084 heated) 62,402 38,638 21,952 20,511 2,633 336
Mar May Sop How Total M SOY Jan Mar Mar May Juli Aug Sep Total	93.25 94.25 93.00 95.00 702.00 697.25 694.25 694.00 674.00	+0.85 +0.65 +0.50 +0.50 +0.50 +5.00 +5.00 +5.25 +5.00 +4.00	93.50 94.25 - (5,000to 704.00 698.50 695.00 692.00 673.00	93.25 94.25 94.25 94.25 94.25 94.20 685.00 683.50 683.50 682.00 671.00	30 10 - 135 18/608 : 27,484 10,156 2,414 3,758 363 102 45,520 1	234 125 1 194 1,084 hashed) 62,402 38,538 21,952 20,511 2,633 336 196,710
Mar May Sop How Total M SOY Jan Mar Mar May Juli Aug Sep Total	93.25 94.25 93.00 95.00 702.00 697.25 694.25 694.00 692.00	+0.85 +0.65 +0.50 +0.50 +0.50 +5.00 +5.00 +5.25 +5.00 +4.00	93.50 94.25 - (5,000to 704.00 698.50 695.00 692.00 673.00	93.25 94.25 94.25 94.25 94.25 94.20 685.00 683.50 683.50 682.00 671.00	30 10 - 135 18/608 : 27,484 10,156 2,414 3,758 363 102 45,520 1	234 125 1 194 1,084 hashed) 62,402 38,538 21,952 20,511 2,633 336 196,710
Mar May Sep How Yotal M SO' Jan Mar Mar May Jul Aug Sep Tetal M SO'	93.25 94.25 93.00 95.00 702.00 997.25 694.25 694.20 674.00 7ABEAN	+0.85 +0.65 +0.50 +0.50 +0.50 +5.00 +5.50 +5.00 +4.00 +0.00	93.50 94.25 (5,000b 704.00 698.50 698.50 698.00 673.00 CBT (6	93.25 94.25 94.25 689.00 685.00 683.50 683.50 671.00 0,00035	30 10 - 135 104/602 27,464 10,156 2,414 3,756 363 102 45,520 1	234 125 1 194 1,084 bashet) 62,402 38,638 21,952 20,511 2,633 336 196,710 5/fb)
Mar May Sop Hov Yotal M SOY Jan Mar Mar May Jul Aug Sop Total M SOY Doc	93.25 94.25 93.00 95.00 95.00 702.00 697.25 694.25 694.25 694.20 692.60 674.00 7ABEAR	+0.85 +0.65 +0.50 +0.50 +0.50 +5.00 +5.50 +5.00 +4.00 +0.42 +0.42	93.50 94.25 5,000b 704.00 698.50 695.00 697.00 CBT (6) 23.05	93.25 94.25 94.25 689.00 685.00 683.50 682.00 671.00 0,00005	30 10 135 186005 27,484 10,156 2,414 3,758 363 102 45,520 102 5, const	234 125 1 194 1,084 basket) 62,402 38,638 21,952 21,952 20,511 2,633 336 (56,710 5/10)
Mar May Sop How Yotal E SOY Jon Mar Mary Jos Aug Sop Tetal E SOY Doc Jam	93.25 94.25 93.00 95.00 702.00 697.25 694.25 694.25 694.00 674.00 7ABEAR 23.05 23.23	+0.85 +0.65 +0.50 +0.50 +0.50 +8.00 +5.25 +5.00 +4.00 +0.42 +0.42 +0.32	93.50 94.25 - (5,000to 704.00 695.00 695.00 695.00 673.00 23.05 23.05	93.25 94.25 94.25 889.00 685.00 683.00 683.50 683.50 683.50 683.50 683.50 683.50 683.50 683.50	30 10 - 135 1060b 27,484 10,156 2,414 3,758 363 102 45,520 15; cents 6,072 12,365	234 125 1 194 1,084 bushed) 62,402 38,638 21,952 20,511 2,633 336 196,710 5,710 5,313 32,376
Mar May Sop How Yotal E SOY Jon Mar Mar Mar Mar Mar Dos Dos Jan Plan	93.25 94.25 93.00 95.00 95.00 97.25 694.25 694.25 694.00 674.00 7ABEAR 23.05 23.25 23.56	+0.85 +0.65 +0.50 +0.50 +0.50 +8.00 +5.25 +5.00 +4.00 +0.42 +0.42 +0.32 +0.33	93.50 94.25 704.00 699.50 695.00 695.00 673.00 23.05 23.05 23.63	93.25 94.25 94.25 689.00 685.00 683.00 682.00 671.00 0,00035 22.58 22.87 23.16	30 10 - 135 102 27,484 10,156 2,414 3,758 363 102 45,529 15: Cents 6,072 12,365 4,223	234 125 1 194 1,084 1,084 21,082 20,511 2,633 38,638 21,952 20,511 2,633 38,638 5,710 5,710 5,710 5,313 32,376 28,978
Mar May Sop Hov Total M SOY Jan Mar Mar May Jul Aus Sop Total M SOY Doe Jan Mar Mar Mar Mar May Jul Mar May Jul May May May May May May May May May May	93.25 94.25 93.00 95.00 95.00 97.25 694.25 694.25 694.00 674.00 7ABEAR 23.25 23.25 23.82	+0.85 +0.55 +0.50 +0.50 +0.50 +5.00 +5.50 +5.25 +5.00 +1.00 +0.42 +0.32 +0.33 +0.32	93.50 94.25 - (5,000b 704.00 698.50 695.00 695.00 673.00 CST (6 23.05 23.63 23.63 23.63	93.25 94.25 94.25 689.00 683.00 683.50 682.00 671.00 0.00035 22.81 22.81 23.50	30 10 - 135 27,484 10,156 2,414 3,758 363 102 45,520 15; conta 6,072 12,365 4,222 558	234 125 1 194 1,084 1,084 1,082 21,982 20,511 2,633 336 (56,710 5,710 5,313 32,376 28,978 12,770
Mar May Sop Total M SO <sup>1</sup> Jon Mar May Jos Doc Jan Mar May Jul	93.25 94.25 93.00 95.00 95.00 702.00 697.25 694.25 694.00 674.00 674.00 7ABEAR 23.05 23.22 23.56 24.08	+0.85 +0.57 +0.50 +0.50 +5.00 +5.50 +5.25 +5.00 +1.42 +0.32 +0.32 +0.32 +0.33 +0.31	93.50 94.25 704.00 695.00 695.00 695.00 673.00 CBT (6 23.05 23.63 23.63 23.63 24.10	93.25 94.25 94.25 989.00 683.00 683.50 682.00 671.00 0,00045 22.88 23.86 23.73	30 10 - 135 18608 : 27,464 10,758 363 102 45,520 1 55 cont 6,072 12,365 4,223 558 1,002	234 125 1 194 1,084 backet) 62,402 38,638 21,952 20,511 2,633 336 (56,710 5,710 5,313 32,376 28,978 12,770 0,494
Mar May Sop Total M SO <sup>*</sup> Jon Mar May Jos May Jos Mar Mar Jul Mar Jul Aug Sop Total Mar Jul Aug Sop Total Mar Jul Mar Jul Mar Mar Mar Mar Mar Mar Mar Mar Mar Mar	93.25 94.25 93.00 95.00 95.00 97.25 694.25 694.25 694.00 674.00 7ABEAR 23.25 23.25 23.82	+0.85 +0.55 +0.50 +0.50 +0.50 +5.00 +5.50 +5.25 +5.00 +1.00 +0.42 +0.42 +0.33 +0.32	93.50 94.25 - (5,000b 704.00 698.50 695.00 695.00 673.00 CST (6 23.05 23.63 23.63 23.63	93.25 94.25 94.25 689.00 683.00 683.00 682.00 671.00 0,0002 22.58 22.87 23.50 23.73 23.73 23.80	30 10 135 185/602: 27,484 10,156 2,414 3,758 363 102 45,520 102 45,520 12,365 4,223 558 1,002 17	234 125 1 194 1,084 1,084 1,084 1,084 21,952 20,511 2,633 336 195,710 5,313 32,376 28,978 12,770 0,494
Mar May May Hov Total M SO' Jan Mar Mar May Joi Aug Sep Total M SO' Mar May Jan Mar May Jan Mar May Jan Mar May Joi May Joi May May May May May May May May May May	93.25 94.25 93.00 95.00 95.00 97.25 694.25 694.26 694.00 674.00 97.45 23.05 23.25 24.08 24.15	+0.85 +0.55 +0.59 +0.59 +0.59 +0.00 +5.00 +5.50 +5.25 +5.00 +0.42 +0.32 +0.33 +0.35	93.50 94.25 94.25 (5,000bs 704.00 695.00 695.00 695.00 673.00 23.63 23.63 23.63 23.63 23.95	93.25 94.25 94.25 689.00 683.50 663.50 663.50 671.00 0.00035 22.81 23.81 23.73 23.80	30 10 - 135 105000: 27,484 10,156 2,414 3,758 363 102 45,520 15; conta 6,072 12,365 4,229 558 1,002 24,589	234 125 1 194 1,084 bashed) 62,402 38,638 21,952 20,511 2,633 336 (56,710 5,313 32,376 22,978 12,770 0,494 1,808 90,738
Mar May May Hov Total M SO' Jan Mar Mar May Joi Aug Sep Total M SO' Mar May Jan Mar May Jan Mar May Jan Mar May Joi May Joi May May May May May May May May May May	93.25 94.25 93.00 95.00 95.00 702.00 697.25 694.25 694.00 674.00 674.00 7ABEAR 23.05 23.22 23.56 24.08	+0.85 +0.55 +0.59 +0.59 +0.59 +0.00 +5.00 +5.50 +5.25 +5.00 +0.42 +0.32 +0.33 +0.35	93.50 94.25 94.25 (5,000bs 704.00 695.00 695.00 695.00 673.00 23.63 23.63 23.63 23.63 23.95	93.25 94.25 94.25 689.00 683.50 663.50 663.50 671.00 0.00035 22.81 23.81 23.73 23.80	30 10 - 135 106000: 27,484 10,156 2,414 3,758 363 102 45,520 15; conta 6,072 12,365 4,229 558 1,002 17 24,589	234 125 1 194 1,084 basket) 62,402 38,638 21,952 20,511 2,633 336 (56,710 5,313 32,376 22,978 12,770 0,494 1,808 90,738
Mar May May Hov Total M SO' Jan Mar Mar May Joi Aug Sep Total M SO' Mar May Jan Mar May Jan Mar May Jan Mar May Joi May Joi May May May May May May May May May May	93.25 94.25 93.00 95.00 95.00 97.25 694.25 694.26 694.00 674.00 97.45 23.05 23.25 24.08 24.15	+0.85 +0.55 +0.59 +0.59 +0.59 +0.00 +5.00 +5.50 +5.25 +5.00 +0.42 +0.32 +0.33 +0.35	93.50 94.25 94.25 (5,000bs 704.00 695.00 695.00 695.00 673.00 23.63 23.63 23.63 23.63 23.95	93.25 94.25 94.25 989.00 685.00 685.00 685.00 671.00 0,00035 22.58 23.50 23.75 25.75 25.75 25.75 25.75 25.75 25.75 25.75 25.75	30 10 - 135 106000: 27,484 10,156 2,414 3,758 363 102 45,520 15; conta 6,072 12,365 4,229 558 1,002 17 24,589	234 125 1,984 1,084 basket) 62,402 20,511 2,633 336 (56,710 5,710 5,313 32,376 28,978 12,770 0,494 1,808 90,738 on)

Mair   697.25	_				_		
May 694.25 +5.50 695.00 683.00 2,414 21,925	Jan			704.00	689.00	27,484	62,402
SOYABEAN MEAL CBT (100 tone: \$\frac{20.9}{23.6} \ \( \frac{23.0}{23.0} \) \		097.25	+6.00	698.50	685.00	10,156	38,638
Aug 692.00 +5.00 692.00 682.00 383 2.633 Sep 674.00 +4.00 673.00 671.00 102 385 Total 45.520 165.716  ■ SOYABEAN OIL CST (60,0000cs: cents./lo)  Doc 23.05 +0.42 23.05 22.58 6.072 5.313 Jan 23.23 +0.32 23.03 22.87 12.365 22.375 Mar 23.66 +0.33 23.03 22.87 12.365 22.375 Mar 24.08 +0.31 24.10 23.73 1,002 0,494 Total 24.08 +0.31 24.10 23.73 1,002 0,494 Total 24.08 +0.31 24.10 23.73 1,002 0,494  ■ SOYABEAN NIEAL CST (100 tones; Shorn)  Doc 23.45 -0.5 23.55 23.50 17 1,894 Aug 21.77 +0.6 218.2 213.5 5,114 23.310 Mary 214.5 +1.9 214.5 210.5 1,521 12,019 Jul 213.5 +2.0 213.5 219.8 9.220 25.554 Mary 214.5 +1.9 214.5 210.5 1,521 12,019 Jul 213.5 +2.0 213.5 20.8 1,927 9.501 Aug 212.0 +2.0 209.5 208.7 153 2,123 Total POTATOES LIFFE (€/torme)  Mary 63.5 - 63.5 63.0 10 1.213 Mary 63.5 - 63.5 63.0 10 1,213 Mary 117.0 552 Total FREIGHT (BIFFEX) LIFFE (\$10/Index point)  FREIGHT (BIFFEX) LIFFE (\$10/Index point)  FREIGHT (BIFFEX) LIFFE (\$10/Index point)  FREIGHT (BIFFEX) LIFFE (\$10/Index point)  FREIGHT (BIFFEX) LIFFE (\$10/Index point)  FREIGHT (BIFFEX) LIFFE (\$10/Index point)  FREIGHT (BIFFEX) LIFFE (\$10/Index point)  FREIGHT (BIFFEX) LIFFE (\$10/Index point)  B FREIGHT (BIFFEX) LIFFE (\$10/Index point)  B FREIGHT (BIFFEX) LIFFE (\$10/Index point)  B FREIGHT (BIFFEX) LIFFE (\$10/Index point)  B FREIGHT (BIFFEX) LIFFE (\$10/Index point)  B FREIGHT (BIFFEX) LIFFE (\$10/Index point)  B FREIGHT (BIFFEX) LIFFE (\$10/Index point)  B FREIGHT (BIFFEX) LIFFE (\$10/Index point)  B FREIGHT (BIFFEX) LIFFE (\$10/Index point)	May	694.25	+5.50	695.00	663.00	2,414	21,952
Soy Abean   Mile   Color   C	Jul	694.00	+5.25	685.00	663.50	3,758	20,511
Tetal  SOYABEAN OIL CST (50,0005s: cents/fb)  Doc 23.05 +0.42 23.05 22.58 6,072 5.313  Jan 23.23 +0.32 23.03 22.81 12.365 32.376  May 23.26 +0.33 23.63 23.16 4.222 23.978  May 23.82 +0.32 23.85 22.50 556 12.770  Jul 24.08 +0.31 24.10 23.73 1,002 0,494  Aug 24.15 +0.35 23.95 23.60 17 1,805  Total  SOYABEAN MEAL CST (100 tones: 57cm)  Doc 234.6 -0.5 235.0 230.0 6,720 10,855  Jul 21.77 +0.6 218.2 213.5 5,114 23.310  May 214.5 +1.9 214.5 219.5 5,223 12,019  May 214.5 +1.9 214.5 210.5 1,523 12,019  May 214.5 +1.9 214.5 210.5 1,523 12,019  May 214.5 +2.0 213.5 208.8 1,927 9,501  Aug 212.0 +2.0 209.5 208.7 153 2,123  Tetal  POTATOES LIFFE (STORME)  May 63.5 20  May 63.5 - 63.5 63.0 10 1,213  May 68.5 20  May 78.5 20  May 78.5 20  May 117.0 552  Total  POTATOES LIFFE (STORME)  Doc 1485 - 1605 1485 127 480  Jun 78.5 552  Jun 78.5	Aug	692.00	+5.00	692.00	662.00	363	2,633
SOYABEAN OIL CST (60,0000bs: cents/lo)		674 00	+4.00	673.00	671.00	102	336
Doc   23.05 +0.42   23.05   22.58   6,072   5.313   Jam   23.23 +0.32   23.05   22.81   12.365   32.375   Mary   23.64 +0.32   23.05   22.81   12.365   32.375   Mary   23.62 +0.32   23.63   23.55   23.50   555   12.770   Jai   24.03 +0.31   24.10   23.73   1,002   0,494   Aarg   24.15 +0.35   23.95   23.80   17   1,908   1,907	Total					45,520	156,710
Jam   23.23 +0.32   23.30   22.81   12.365   32.376     Mar   23.56 +0.32   23.83   23.16   52.15   52.177     Jul   24.08 +0.31   24.10   23.73   1,002   0,494     Ang   24.15 +0.35   23.95   23.80   10.10   0,494     Marg   24.15 +0.35   23.95   23.80   10.10     SOYABEAN MEAL CET (100 tones \$7con)     SOYABEAN MEAL CET (100 tones \$7con)     Marg   24.5 +0.5   235.0   239.0   8,720   10,855     Jul   22.7 +0.1   223.8   219.8   22.2   25,534     Marg   214.5 +1.9   214.5   210.5   1,523   12,079     Marg   214.5 +1.9   214.5   210.5   1,523   12,079     Jul   213.5 +2.0   213.5   208.8   1,927   9,501     Marg   212.0 +2.0   209.5   208.7   153   2,123     Total   22.07 +0.0   209.5   200.7   153   2,123     Marg   215.5   -	<b>S</b>	YABEA	N OIL	CBT (6	0,000	os: cen	ts/fb)
Mary   23.56   +0.32   23.63   23.16   4.222   28.978   23.82   40.32   23.53   23.55   23.70   555   12.770   1.002   63.494   43.69   63.13   23.55   23.50   17   1.808   17   1.808   23.55   23.50   17   1.808   23.55   23.50   17   1.808   23.55   23.50   17   1.808   23.50   23.50   17   1.808   23.50	Doc	23.05	+0.42	23.05	22.58	6,072	5.313
May 23.82 +0.32   23.85   21.50   556   12.770     May 24.05 +0.35   23.95   23.80   17   1,808     May 24.15 +0.35   23.95   23.80   17   1,808     Total   24.15 +0.35   23.95   23.80   17   1,808     SCYABBAN MEAL CBT (100 tones; Shorn)     SCYABBAN MEAL CBT (100 tones; Shorn)     May 21.7 +0.6   218.2   213.5   5,114   23.310     May 21.5 +0.0   218.2   213.5   5,114   23.310     May 21.5 +0.0   218.2   213.5   5,114   23.310     May 21.5 +0.0   218.5   210.5   1,521   2,079     May 21.5 +0.0   213.5   208.8   1,927   9,79     May 21.5 +0.0   209.5   208.7   153   2,123     May 21.5 +0.0   209.5   208.7   208.8     May 21.5 +0.0   209.5   208.7   208.8     May 21.5 +0.0   209.5   208.7     May 21.5 +0.0   209.5   208.7   208.8     May 21.5 +0.0   209.5   208.7     May 21.5 +0.0   209.5   209.7     May 21.5 +0.0   209.5   209.7     May 21.5 +0.0   209.5   209.7     May 21.5 +0.0   209.5	سخل	23.23	+0.32	23.30	22.81	12,365	32,376
24.08 +0.31		23.56	+0.33	23.63	23.16	4,223	28,978
Aug 24.15 +0.35 23.95 23.80 17 1,908 20,708 SOYABEAN MEAL CBT (100 tones 5hon)  Doc 234.6 -0.5 235.0 230.0 6,720 10,955 lan 221.7 -0.1 223.8 219.8 9,220 25,534 librar 217.7 +0.6 216.2 213.5 51.4 23.310 librar 217.7 +0.6 216.2 213.5 210.5 1,523 12,079 librar 217.6 +0.6 216.2 213.5 210.5 1,523 12,079 librar 212.0 +2.0 209.5 208.7 153 2,123 70 librar 212.0 +2.0 209.5 208.7 153 2,123 70 librar 53.5 20 librar 53.5 - 63.5 63.0 10 1,213 librar 68.5 20 librar 117.0 552 librar 117.0 552 librar 117.0 552 librar 117.0 552 librar 117.0 552 librar 117.0 10 1,707 librar 117.0 - 10 1,707 librar 1485 - 3 1441 1421 197 1,851 librar 1425 - 3 1441 1421 197 1,851 librar 1425 - 3 1441 1421 197 1,851 librar 1425 + 1470 1480 52 322 324 librar 1425 + 1470 1480 52 323 324 librar 1425 + 1470 1480 52 323 324 librar 1425 + 1470 1480 52 323 324 librar 1425 + 1470 1420 52 324 324 324 324 324 324 324 324 324 32	Nay.	23.82	+0.32	23.85	23.50	558	12,770
SCYABEAN MEAL CBT (100 tones; Shon)   CBT   CB							
SCYABEAN MEAL CBT (100 tones \$/ton)		24.15	+0.35	23.95	23.80		1,808
Disc   234.6   -0.5   235.0   230.0   6,720   10,855     Man   223.7   -0.1   223.8   219.8   9,220   25,554     Miler   217.7   -0.6   216.2   213.5   1,123   12,019     May   214.5   +1.9   214.5   210.5   1,523   12,019     Mag   212.0   +2.0   209.5   208.7   1,523   12,019     Mag   212.0   +2.0   209.5   208.7   153   2,123     Mag   212.0   +2.0   209.5   208.7   153   2,123     Mag   63.5   -	Total					24,500	90,730
Jan   223.7   -0.1   223.8   219.8   9.220   25.554     Mar   217.7   -0.6   218.2   213.5   214.2   23.5     Mary   217.5   -0.6   218.2   213.5   1.523   12.019     Juli   213.5   +2.0   213.5   208.8   1.927   9.501     Juli   212.0   +2.0   209.5   208.7   153   2.123     POTATORS LIFFE (Chome)     Mary   63.5   -	<b>\$0</b>	YABEAI	N MEA	L CBT	£ 201)	one; \$/	ton)
The color of the							
14.5   1.9   214.5   210.5   1.523   12.019   213.5   22.018   3.27   9.501   213.5   22.018   3.27   9.501   213.5   22.018   3.27   9.501   22.018   22.							
1920   1930							
Aug 212.0 +2.0 209.5 208.7 153 2,123 Portal POTATOES LIFFE (E/torme)  Name 63.5 - 63.5 63.0 10 1,213 Name 78.5 20 Name 78.5 552 Name 78.5 552 Name 78.5 10 1,767 Name 78.5 10 1,767 Name 117.0 10 1,767 Name 1485 - 1505 1487 1487 187 1,851 Name 1485 - 3 1441 1427 167 1,851 Name 1485 - 3 1481 1427 167 1,851							
POTATOES LIFFE (E/tonne)   25,838   85,869   1							
POTATOES LIFFE (2/torune)		212.0	+2.0	209.5	208.7		
Nam 1425 -3 1471 1427 1485 1220 440 351 1430 1230 1230 1230 1230 1230 145 154 155 155 155 155 155 155 155 155						23,006	95,909
Section   Sect	PO	TATOES	UFFE	(E/to	ne)		
Nam 1425 -3 1441 1421 167 1481 1428 +5 1470 1430 4230 41330 +2 1330 +2 20 1330 -78			-	-	-		-
Transfer   Table   T			-	63.5	63.0	• 10	
Transfer   117.0   -   -   -   552   552   555			-	-	-		
Total   10   1,787   1   1   1,787   1   1   1,787   1   1   1   1,787   1   1   1   1   1   1   1   1   1			-		-		
FREIGHT (BIFFEX) LIFFE (\$10/Index point)		117.0	-	-	-		
Dec 1485 - 1505 1485 127 450 Jan 1425 -3 1441 1421 157 1,851 Jan 1465 +5 1470 1480 52 832 July 1230 1230 1230 40 351 July 1330 +20 1330 1330 - 79							
Man 1425 -3 1441 1427 197 1,851 May 1465 +5 1470 1480 52 832 Mad 1230 +10 1230 1230 40 351 Set 1330 +20 1330 1330 - 79	FR	EIGHT (	SEFFEX	UFFE	(\$10/	uqex b	oint)
New 1465 +5 1470 1460 52 832 Noi 1230 +10 1230 1230 40 351 Not 1330 +20 1330 1330 - 79						127	480
kul 1230 +10 1230 1230 40 351 3et 1336 +20 1330 1330 - 79							
3et 1330 +20 1330 1330 - 79			+5	1470		52	832
			+10	1230	1220	40	351
ten 1335 +20 35	ici	1330	+20	1330	1330	-	79
	ووز	1335	+20	_	-	_	35

٤	10.5				
;	■ FR	EKCHT (E	#FFEX	UFFE	F
1	Dec	1485	-	1505	1
_	Jap	1425	-3	1441	1
-	Apr	1465	+5	1470	1
	Jul	1220	+10	1230	1
	Get	1336	+20	1330	1
)	Jee	1335	+20	_	
,	Total				
		Clear	Prev		
	BFI	1445	1440		
•					
1		RES DAT		iad bu	CA.

JRAL GAS M	MEX (1)	1,000	1601.; \$/	ज्याती )
Latest Day's price change	Kligb	Low	Val	Open int
3.670 +0.165 3.310 +0.154 2.650 +0.150 2.440 +0.105 2.315 +0.070 2.250 +0.060	3.320 2.850 2.450 2.325	2,710 2,710 2,350 2,245	2.849 745 447 365	21,783 14,204 8,121 7,067 5,423
			38,198	146,750

# SOFTS ■ COCOA LIFFE (E/ton

ec 4 ally			Pris 1028.9			rev. d 1045.3
COC	DA (ICC	<u>(\$0</u>	R's/tor	me)		
otal					6,781	75,83
60	1478	+17	1458	1451	100	
op.	1458	+17	1443	1437	364	6,64
uf T	1438	+17	1440	1416	64	
lay .	1418	+17	1420	1396	691	10,80
lar .	1397	+17	1399	1372	5,447	
lec .	1335	+4	1435	1330	15	8
1 000	OA CSC	E (10	tonnes	: \$/tor	ries)	
otal						118,62
lect	1013	+18	1008	989		6,14
ep .	1003	+18	1000		671	
	987	+18	967		281	
lay u	970	+18	971		1,135	
	802	+19	304	2021	4,300	

- 00	1 444 14	FE (\$/	COLERNA			
	1311	-12	1326	1310	1,768	17,728
tar	1249	-24	1271	1248	4,296	14,604
i y	1234	-27	1245	1323	558	6,172
	1219	-26	1241	1217	118	1,108
ep qu	1210	-27	1235	1215	48	635
lav .	1210	-27	1245	1245	26	485
etal					8,558	40,732
COF	FEE 'C'	CSCE	(37,50	Olbs; c	enta/l	bs)
éc	112.45	-0.35	113.00	112.00	251	1,011
						45.00
	103.45					
lay	101.30	-0.65	103.00	101.10	1,009	5,416
lay ui	101.30 100.60	-0.65 +0.50	103.00 101.60	101.10 100.40	1,009 241	5,416
lay	101.30 100.60 99.40	-0.65 +0.50 -0.75	103.60 101.60 100,50	101.10 100.40 89.00	1,009 241 100	5,416 1,335 673
ley ul cp oc	101.30 100.60	-0.65 +0.50 -0.75	103.00 101.60	101.10 100.40 89.00	1,069 241 100 32	5,416 1,335 673 526
lery ul ep ec otal	101.30 100.60 99.40 98.50	-0.65 +0.50 -0.75 -0.05	103,60 101,60 100,50 99,00	101.10 100.40 99.00 95.00	1,009 241 100 32 9,051	5,416 1,335 673
lery ul ep ec otal	101.30 100.60 99.40	-0.65 +0.50 -0.75 -0.05	103,60 101,60 100,50 99,00	101.10 100.40 99.00 95.00	1,009 241 100 32 9,051	5,416 1,335 673 526

Total					9,051	24,827
E COF	TEE (IC	O) (US	centa/	pound	)	
	aily				,	90.65 95.57
= WH	TE SUG	AR LIF	TE (S/	tonne)		
Mar	298.4	+0.7	299.8	297.5	1,153	10,137
May	295.2	+0.6	299.0	298.0	178	5,021
Aug ·	298.6	+1.0	300.0	299,3	135	2,425 .
Oct	296.4	+0.8	296.6	295,5	107	1,752
Dec	296.7	+0.9	297.0	297.2	28	556
Mar	299.3	+0.1	300.1	300,1	10	377
Total					1,635	26,301
■ SUG	AR 41'	CSCE	(112,0	00lbs:	cents	(Bos)
Mar	10.31	+0.01	10.39	10.30	9,690	79,660
May	10.45	+0.03	10.48	10,43	1,012	30,971
Jul	10.41	+0.02	10.44	10.40	910	20,650
Oct	10.46	+0.03	10.46	10.44	455	12,809
Mar	10.48	+0.05	10.48	10.48	10	3,737
May	10.48	+0.05	10,47	10.47		835
Total					12,983	149,232

Det	10.46	+0.03	10.46	10.44	455	12,80
Mar	10.48	+0.05	10.48	10.48	10	3.7
May	10.48	+0.05	10,47	10.47	14	83
Total					12,983	149,2
■ C0	TON N	YCE (5	0,0000	s; cent	(s/fbs)	
Dec	74.17	+0.82	74.30	73.80	286	25
Mar	75.80	+0.05	76,10	74.65	5,974	25,8
May	76.70	+0.87	77.10	75.80	1.155	10.62
Jul				76.75		
Oct.	77.00	_		77.00		1.24
Dec	77.15	+0.85				
Total					8,384	
OR	ANGE J	JICE N	YCE (1	5,000tb	-	-
	94.85	-1.50	96,90	94.50	337	13,96
ile:	98.65	-1.30	100.35	98.30	270	8.85
Way	101.45	-1.45	103.10	101.50	57	2,80
lui 💮	104.20	-1.30	105.25	105.25	18	83
lep	108.20	-1.30	107.25	107.26	1	2
lior	105.70	-1.30	_	-	_	
Total					884	25,61

Wool  The Australian market has held steady with the mean indicator up 4cct at 556cs. The New Zealand Indicator was down 1ct at 448cts. Many prices for Merinos are at seasonal lows Though superfines in Australia have met with demend at better prices. Traders are giving up hope of a worthwhile recovery before christmas. Currency volatility has had a disauthing liftuence on wool buyers almost everywhere. The UK, Australia, New Zealand and US currencies have made pricing difficult from time to time. The UK altuation may be helped by sterilings recent downstam, which raises wool import prices and may encourage cautious buyers to move in after waiting for further declines.	
the man indicator up 4cs at 556cs. The New Zeisand indicator was down Lot at 448cbs. Many prices for Merinos are at sessional lows Though superfines in Australia have met with demand at better prices. Traders are giving up hope of a worthwhile recovery before christmas. Currency votatility has had a disturbing influence on wool buyers almost everywhere. The UK, Australia, New Zeiland and US currencies have made pricing difficult from time to time. The UK abustion may be helped by storings recent downtum, which raises wool import prices and may encourage cautious buyers to move in efter waiting for further	Wool
	the mean indicator up 4cts at 558cts. The New Zealand indicator was down ict at 448cts. Many prices for Merinos are at seasonal lows Though superfines in Austra- lia have met with demand at better prices. Traders are giving up hope of a worthwhile recovery before christmas. Currency votatil- ity has had a disturbing influence on wool boyers almost everywhere. The UK, Austra- lia, New Zealand and US currencies have made pricing difficult from time to time. The UK abustion may be helped by ster- ings recent downturn, which raises wool import prices and may encourage cautious buyers to move in after waiting for further

Jul Sep Hor Total	104.20 -1.30 105.25 105.25 108.20 -1.30 107.25 107.25 105.79 -1.30 -	18 637 1 256 - 53 884 25,682
Ope cont NYC one	UME DATA  n interest and Volume data sho nacts traded on COMEX, NYME E, CAME, CSCE and IPP Chude day in arrears, Volume & Open a are for all traded months.	CH are
	ICES riore (Base: 18/9/31 = 100)	
Dec 1855		<b>ear ago</b> 2125.3

Oct				10.44		12,809		\$22.13-2.26w	+0.3
Mar		+0.05		10.48	10		Brent Blend (detect)	\$24,46-4,48	+0.2
May	10.48	+0.05	10,47		14		Brent Blend (Jan)	\$24,06-4.08	+0.2
Total					,	149,232	W.T.L	\$25.17-5.20w	+0.
<u> </u>	TON NY	YCE (5)	0,000ib	s; cent	(3/lbs		OIL PRODUCTS NA	prompt dallysry	CIF (I
Dec	74.17	+0.82	74.30	73.80	286	280	Premium Gasoline	\$231-233	+
Mar			76.10			25,866	Ges Oil	\$230-231	+4
May	76.70	+0.87	77.10	75.80	1.155	10,628	Heavy Fuel Oil	5123-125	-a
luf	77.82	+1.06	77.90	76.75	508	7,531	Nachtha	\$231-232	-1.
Oct.	77.00	-	77.00	77.00	27	1,249	Jet firel	\$261-282	+
jeć	77.15	+0.65	<i>77.2</i> 0	76.60	402	7,972	Diesel	\$244-246	+
(ctal)					8,384	54,200	MATURAL GAS (Perk	e/therm)	•
OR4	WOE JU	ICE N	YCE (1	5,000tb	s; cen	ts/fbs)	Service di la		
	04.85	1 50	96,90	04 E/S	977	13.985	Bacton (Jan)	21.40-22.00	
ie.			100.35		270		Postoleum Argus, Tel. Landi	on (0171) 369 8	792
ia.	101.45				2ru 57	2.908	■ OTHER		
u'y u'	104.20				18	4806 837	Gold (per troy oz)&	\$370.00	+0.
	108.20				1	256	Silver (per troy oz)	481.50c	+1.
jor	105.70		-	صدرو.		53	Platinum (per troy oz.)	\$373.00	-13
otal	·		_	_	884	26,682	Palledium (per troy oz.)	\$116.00	-13
_					.007	-	Copper	116.0c	-12
							Leed (US prod.)	45.00c	
							Tin (Kusia Lungur)	45.000 14.99r	
							Tin (New York)	283.50	+0.
					•				
							Cattle (fire weight)	108.87p	-26
WAL I	ME DA	T.					Sheep (Ive weight)	136.51p	-0,0
	Marest		irkeno	data s	chrown	اموث	Pigs (live weight)	83.04p	2.5
	cts trad						Lon. day sugar (raw)	\$256,30	
	CME.						Lon. day sugar (wto)	<b>\$30</b> 3.50	-0.1
	ay in an						Barley (Eng. feed)	Unq	
	are for						Maize (US No3 Yellow)	127.0	
							Wheat (US Dark North)	.Ung	
							Rubber (Jen)♥	61.250	<b>#1</b> J
	<b>^</b>						Rubber (Feb)♥	81.25o	+1.
NDI	CES						Rubber (KL RSS No1)	316.5x	-0.
Reut	ers (Bas	a: 18/	V31 =	100)			Coconut Oil (Philis	\$785.0y	+10
Dec	<u> </u>	e 4		900	-	-	Palm Oil (Maley.)§	517.5x	+0.
1855		50,9		6.5		25.3	Copra (Philig	492.5	+2
							Soyabeans (US)	199.0z	+2
	Futures		•		_		Cotton Outlook'A' Index	78.25	0.2
Dec 4		e 3	mont	age i	year	age	Woolings (54s Super)	3930	
241.3		1,63				_	E per torne unites otherwise si		
	Spot (E	lase: 1	97Q =	100)			r chapaithe, in Mainreign custo	Ales, w. Jan x Des	y No
GSC							y Dec∆lan♥ London Physical,	6 CIF Removies	LER
Dec -	4 De	e 3	mont	3 <b>29</b> 0	year	490	,		
_		e 3 0.47	monti 202			121	nucles close. * Change on wearings sold. + New month of Ja	sk. †Besed on 2.6	07 h

JOTTER PAD 65,425 49,525 96,425 65,660 7,983 18,072 53.575 +0.675 63.675 62.525 7,874 29,850 65.175 +0.600 65.200 64.400 2,267 19,615 63.225 +0.325 63.250 62.725 1,354 8,083 62.750 +0.225 62.725 62.375 331 7,666

			04 60			
	65,300	+0.150	65.425	85,100	454	5,750
ı					28,122	90,104
L	Æ HOG	S CME	(40,00	Mas; ce	nta/lbs	)
			59,300			
	77.175	+0.300	77.350	76.425	5,729	14,486
	72.050	+0.200	72,550	71.600	1,221	4,910
	75.200	+0.575	75.275	74.350	1,414	4.848
	72.350	+0.350	72.400	71,700	81	1.341
	68.225	+0.225	68.250	67,600	62	878
8					12,613	36,789
PC	RK BE	LLIES	CME (40		-	
	78.600	+0.750	78.850	77.250	2,477	4.544
	78.125	+0.850	78.200	76,900	189	876
,	78,800	+1,200	78.800	77.150	34	583
			78,600		48	421
			74 100		48	99

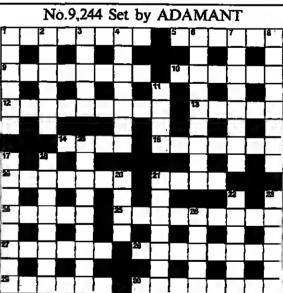
LONDON TRA				
ALUMINIUM (99.7%) LME	Jan	Apr	Jan	Apr
1400	112	151	2	12
1500				47
1600	5	39	93	101
COPPER (Grade A) LME	Jan	Apr	Jan	Apr
2000	248	220	10	81

COFFEE UFFE	Jen	Mar	Jen	Маг
1300	37	39	26	90
1350	15	25	55	126
1400	e	18	95	167
	_			
COCOA LIFFE	Mar	May	Mar	May
900	81	83	е	13
925	43	65	10	20
950	30	50	28	30
BRENT CRUDE				
IPE CHODE		Feb		
	Jen		Jan	Feb
2200	•	185	-	-
2250	-	183	-	64
2300		•	8	85
LONDON SP	$^{T}$	BAA	DV	TC
				-10
E CRUDE OIL FOR (	er be	meğ.		+Or-
Dubel	\$22	13-2-2	Bur +4	3.375
Brent Bland (detect)		46-4		1.230
Brent Blend (Jan)		.06-4.0		1.260
WTI				-200

OIL PRODUCTS N	NE prompt delivery	CIF (ID)
Premium Gesoline Ses Oil léany Fuel Oil leanthra let fuel Diesel II NATURAL GAS (Pe	\$231-233 \$230-231 \$123-125 \$231-232 \$261-262 \$244-246 stca/therm)	+1 +4,0 -0.5 -1.5 +4 +4
Bacton (Jen) Peroleum Argus, Tel. Lor III OTHER	21.40-22.00 odon (0171) 369 8	+0.06 792
Sold (per troy oz)를 Silver (per troy oz)를	\$370.00 481.50c	+0.3

The fastest recorded The game of Skill, Judgement and Nerve Yesterdays enswer

CROSSWORD



1 Attempts to include how ever, words of praise (8) Unimportant items that leaders take round in classic way (6) 9 Most liquid ruins ten of the components (8)

mince (9) 13 Serious sounding story

Sensible to come back to

14 Rule the point is material 16 Resentment at having first night in prison changed into day? (7) 19 Begged to put the case (7) 21 Enormous tax demands finally accepted (4)

24 Criticise the joint (5) 25 Native start in Lincoln (9) 27 Stand to take a few drugs. then take too many (6) 28 Care a bit about germs (8) 29 In case the engineers make a firm line (6)

30 After the theatre the French teacher came back for revenge (8) DOWN I Fair exchange in rising

paper price list (6)
2 Pay no attention to strange region (6) 3 Merge the university, you said, sir? (5) 4 in one sense, make money

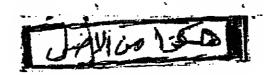
Wine producers have a small amoont injected to provide immune agents (8) Taking for granted there's a second lot of money in Gateshead (8) inner court which makes 11 Boss with time lu the south of France (4) 15 Show trials (9)

17 Works it up having caught 18 Alleviating the pain of the case on the Stock Exchange (8)

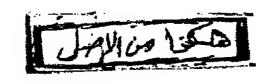
20 Ring for help over the pound sterling (4) 21 Abuse instrument with seventh note (7) 22 Parts of the yarn from for-

Yugoslav provided 23 Sell off a litre (6) In time the queen came to





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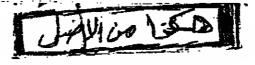
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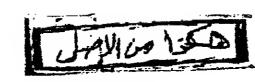
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### FT MANAGED FUNDS SERVICE Offshore Insurances and Other Funds ● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details. Saffing Staylog or York Max Max - Com I Sheral BAS Funds Optime Fund Ma Straff Age Access NAV ... 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### LONDON STOCK EXCHANGE

# Sell-off in US bonds unsettles equity market

MARKETS REPORT By Steve Thompson, **UK Stock Market Editor** 

There was an uneasy feeling around trading desks yesterday as share prices fell sharply late in the session, mirroring a sudden sell-off in the US bond market. which in turn brought beavy pressure to bear on gilts and other European bonds.

Such was the pressure exerted FTSE 100 index, which earlier looked like launching a deter- emerge in Treasury bonds. mined move on its all-time intra-day high, finished the ing in London was a sudden bout Confederation of British Industry English generator, had anthorbusiness was dismal. Retail business of weakness in Reed International distributive trades survey, which ised the buyback of 5 per cent of ness on Wednesday was £873.1m. intra-day high, finished the ing in London was a sudden bout

line and smaller stocks. The FTSE 250 index closed only fractionally below the day's best level, ending 13.9 up at 4,435.8, against a session high of 4,437.4. while the SmallCap finished 4.1 ahead at 2,166.9.

bonds reflected a fall in the dollar and worries about today's nonfarm payroll report for Novemin global bond markets, that the ber. A big increase in employment could see more pressure

Adding to the worries circulat-

The late retreat was only in the wake of second thoughts sures and slowing high street reminded institutions of other partly mirrored by the second after a trading update delivered by the publishing and information services group.

formers during the morning, no need for excessive rate rises Reed was transformed after a shead of the general election and closer scrutiny of the comments made by the group and eventu- of a 1980s-type boom and bust rest of the banking sector Dealers said the sell-off in US ally led the losers list by a long way. One big US broker was said to have been selling exceptional amounts of stock.

Earlier, it was all smiles as Footsie raced higher, with sterling again under pressure. Adding to the firmness was a

by as much as 35p.

more than 200p.

heavy trade of 27m.

However, the bears were

unimpressed. Mr Paul Sped-

ding of Kleinwort Benson

believed the market had

failed to acknowledge the

underlying problems that

still exist. "People won't buy a utility on a 3.9 per cent

yield," he said, arguing that

the sbares were worth no

BT was once again a good

market and the shares

advanced 13 to 399½p, in

Explaining tha renewed

interest in the international

telecoms group, Mr James

McCafferty at ABN Amro

week filed an application

seek approval for the

recently announced deal

with MCI. Also, with MCI

shares having risen by

sales and which saw gilts move higher before lunch.

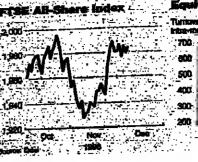
Comments from the governor One of the best Footsie per- of the Bank of England, who saw said the UK was not on the brink cycle, helped the bullish feeling.

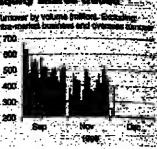
Wall Street's Wednesday per-Jones Industrial Average off 19 pay" contracts with BP. points and the bond market only problems in European markets.

up six points at 4,651.2. tional, whose shares plummeted pointed to the lack of price pres- its own shares, 33m shares in all, UK stocks likely to embark on the same course, notably Barclays Bank and National Power.

Barclays shares raced higher mainly at the expense of Abbey National and Lloyds TSB, both of which have outperformed the recently. British Gas closed off the top but still in good heart, formance, which saw the Dow after agreement on its "take and

Turnover at 6pm was a hefty a few ticks easier, caused few 910.8m shares, well ahead of recent levels. Traders pointed News that PowerGen, the out, however, that daily customer





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Distribution+1.6		
ar+1.4	4 Engineering: Vehicle	æ
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### Lotterv boost to Ladbroke

By Joel Kibazo and

Betting and hotels company Ladbroke Group sparkled as news that the UK's leading gaming companies are finally to launch a rival to the National Lottery seeped into the market.

The shares jumped 7 to 214p, in heavy trading that brought turnover of 15m.

The word is that the UK's bookmakers are to launch a rival game to the National Lottery on December 16. There were few details about the exact nature of the new game but one market spe-cialist said: "Bookmakers make their money on offering bets on numbers that out a strong sell message. come up in an alternative game to the national lottery, rather than running it as a lottery in its own right."

Early indications are that the new game will be played daily and will be transmitted on the SIS satellite system that is exclusive to just over half of the UK's 9,000 betting

Gaming companies have acknowledged the sharp forecasts. HSBC James impact of the National Lottery on their profits since it most optimistic about proswas launched in November 1994. Earlier this week Bass, 121/2 lower at 8001/2p, attributed the 14 per cent decline in profits from bingo to pres- reflected the impact of a sure from the National Lot-

ABN Amro yesterday was a response to the surturned more positive on Ladopportunity by betting shops to offer odds on an alterna-

tive lottery game." The prospect of an alternative to the National Lottery bad a mixed impact on of companies included in the Camelot consortium, that runs the game.

### Reed reversal

The stock market may be fickle but a near 10 per cent turnaround for a Footsie share in one day is unusual. Reed International rose 35 on the back of an acceptable trading statement. Then, at the end of a lengthy presen-

spired that margins were under pressure. Media specialists suddenly realised that their forecasts were too generous and telephoned sales desks to put

down progressively until the stock closed a net 64 lower st 10871/2p. The slide was backed by genuine selling which took turnover up to 11m, the heaviest since 1988. Analysts were coy about commenting on the slide. saying Reed was very sensitive about criticism. But most were cutting back their

pects, slashed its forecasts for next year by 7 per cent to Part of the downgrade

strong pound against dollar earnings but the remainder

IN INDONESIA WE PROTECT

THE RAINFOREST WITH FISH.

The fish ponds provide a much

by-product; a reason for the villagers to take of care the local rain forest The ponds require a supply of clean, fresh water. This is only available

workers belped to construct concrete tanks and dig fish

runs the fish pone

prise news that acquisitionled growth would be on hold for the next couple of years.

Capel's forecast reduction was the most dramatic, as the broker was at the top end of the consensus range. However, Salomon Brothers, which was at the bottom of the range with a prediction of £904m for 1997, cut back to £870m and was said to be selling very heavily.

### Gas advances

British Gas moved sharply tation with analysts, it tran-

higher initially on news thet the company had soccessfully renegotiated some of its take-or-pay contract liabilities with BP and on further details of its planned demerger. Analysts were initially enthusiastic and some predicted the news could trigger

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Ord. div. yield	4.05	4.05	4.04	4.04	4.02	4.07	4.22	3.75
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Dec 5 Dec 4 Dec 3 Dec 2 Nov 29 Yr ago "High "Low 1034,50 1035,10 1037,00 1038,20 1038,00 - 1140,40 965,70

Rises and falls*	-	52 Week highs	and lows	LIFFE Equity opti	DIDE.
Total Rises	687	Total Highs	100	Total contracts	34,355
Total Falls	434	Total Lows	55	Calls	20,721
Same	1,465	Total Lows		Puts	13,635
Dec S 'Data bas	ed on Eq	uity shares listed t	on the Lor	ndon Share Service.	

investors that things are erator announced a buy-back beginning to happen, hence

this rise in the stock."
Other leading issues in the sector continued to drift lower. Cable & Wireless gava up 7 to 453%p while Vodafone Group eased 3 to

247%p, having traded 7.6m. Talk of a takeover in the financial services sector continued to occupy investors following earlier rumours about BAT Industries and Abbey National.

BAT had fallen on Wednesday in the wake of a press report that talks to. merge its financial services arm with a rival had found-

Hoare Govett said: "BT this ered. Yesterday, the stock was with the US authorities to recovering, as dealers seek approval for the argued that the foundation for a merger was still intact. The view is that BAT has to do something with its Eagle Star franchise - either put it back in the limelight through an acquisition or sell it. Its name has been linked with Commercial Union BAT recovered 21/2 to 471%p, with additional help from SGST, which has increased its price target. CU rose 8 to 677%p.

Meanwhile. National, which hit a new peak earlier in the week on speculation that it might be lining up for a mega-merger, possibly with the Prudential, ran into profit taking and slipped 61/4 to 700p with some investors shifting funds into Barclays.

Barclays closed 18 higher at a new peak of 1034p and the Pru improved 9% to 500½p. A profits warning knocked

a third off the price of AIMquoted Crown Products. which slumped 11 to 22%p. Automotive design group Hawtal Whiting warned of a poor second half and saw its shares slip 29 to 105p.

capital - 33.5m shares -through UBS and Kleinwort Benson. Dealers said the brokers were prepared to pay up

to 605p a share. Glaro Wellcome remained under pressure from recent bearish recommendations and currency pressures. support from ABN Amro Hoare Govett.

The broker said the shares were undervalued and while it adjusted its earnings per share numbers to reflect the strength of sterling, lt upgraded the prospects for Zantac, the anti-ulcer treatment. The shares eased a penny to 957p.

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		100-2	41				94			63 2			17912		219
		404	FD												
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	SE 1 390 C 161 <sup>1</sup> 2 182	40 41 SE 250 I SE 100 I 3900 C P 161 <sup>1</sup> 2 5 182 14	SE 100 INCE 3900 384 C P C 161 <sup>1</sup> 2 5 114	4055.0 4 4076.5 4 4124.0 4 38E 280 INDEX FI 38E 100 INDEX O 3900 3950 C P C P 161 <sub>2</sub> 5 114 8 162 14 140 22	4055.0 4054.0 4078.5 4073.5 4124.0 4094.0 SE 260 INDEX FUTUR 4445.0 SE 100 INDEX OPTION 3900 2950 40 C P C P C 1612 5 114 8 71 182 14 140 22 101	4055.0 4054.0 4076.5 4073.5 4124.0 4094.0 SE 290 INDEX FUTURES (I 4495.0 SE 100 INDEX OPTION (LF 3900 3950 4000 C P C P C P 1612 5 114 8 71 18 182 14 149 22 101 35	4055.0 4054.0 4073.5 -2.0 4078.5 4073.5 -2.0 4124.0 4094.0  SEE 250 INDEX FUTURES (LIFFE) 4445.0 +9.0 4495.0 +9.0  SEE 100 INDEX OPTION (LIFFE) (1 2000 2050 4000 4000 4000 10112 5 114 8 71 18 3672 182 14 149 22 101 35 572 182 14 149 22 101 35 572 182 147 149 22 101 35 572 182 147 149 22 101 35 572 182 147 149 22 101 35 572 182 147 149 22 101 35 572 182 147 149 22 101 35 572 182 147 149 22 101 35 572 182 147 149 22 101 35 572 182 147 149 22 101 35 572 182 147 149 22 101 35 572 147 149 22 101 35 572 147 149 22 101 35 572 147 149 22 101 35 572 147 149 22 101 35 572 147 147 147 147 147 147 147 147 147 147	4055.0 4054.0 4070.5 -2.0 4124.0 4094.0 SE 250 INDEX FUTURES (LIFFE) £10 4495.0 +9.0 SE 100 INDEX OPTION (LIFFE) (405 C P C P C P C P C P C P G1612 5 114 8 71 18 3512 33 162 14 140 22 101 35 57 53	4055.0 4054.0 - 4067. 4076.5 4073.5 -2.0 4108. 4124.0 4094.0 - 4127. SE 260 INDEX FUTURES (LIFFE) £10 per  4445.0 +9.0  SE 100 INDEX OPTION (LIFFE) (*4051 ) £*  2900 2950 4000 4050 41  C P C P C P O P C  161½ 5 114 8 71 16 35½ 33 13½ 182 14 149 22 101 35 57 53 40½	4055.0 4054.0 - 4087.0 4078.5 4073.5 -2.0 4108.0 4124.0 4094.0 - 4127.0 4127.0 4094.0 - 4127.0 E 250 INDEX FUTURES (LIFFE) £10 per full is 4455.0 +9.0 4495.0 +9.0 495.0 495.0 495.0 495.0 6100 C P C P C P C P C P C P C P C P C P C	4055.0 4054.0 - 4067.0 4048 4076.5 4073.5 -2.0 4108.0 4068 4124.0 4064.0 - 4127.0 4107.0 SE 250 INDEX FUTURES (LIFFE) £10 per full index 4445.0 +9.0 4495.0 +9.0 SE 100 INDEX OPTION (LIFFE) (4051 ) £10 per full 2600 3650 4000 4080 4100 41 C P C P C P O P C P C 1610 5 114 8 71 16 367 33 132 53 30; 1621 4 140 22 101 35 57 53 460; 785; 200;	4055.0 4054.0 - 4087.0 4048.5 4078.5 4073.5 -2.0 4108.0 4068.0 4124.0 4064.0 - 4127.0 4107.0 SE 250 INDEX FUTURES (LIFFE) £10 per full index point 4445.0 +9.0 SE 100 INDEX OPTION (LIFFE) (*4051 ) £10 per full index 2000 3050 4000 4050 4100 4150 C P C P C P O P C P C P 1812 5 114 8 71 16 362 33 13½ 53 3½ 111 182 14 140 22 101 35 57 53 40½ 78½ 83½ 114	4055.0 4054.0 - 4087.0 4048.5 166 4078.5 4073.5 -2.0 4108.0 4068.0 39 4124.0 4064.0 - 4127.0 4107.0 13 SE 250 INDEX FUTURES (LIFFE) 210 per full index point  4445.0 +9.0  SE 100 INDEX OPTION (LIFFE) (*4051 ) 210 per full index point  C P C P C P C P C P C P C P C P C P C	4055.0 4054.0 - 4087.0 4048.5 16923 4078.5 4073.5 -2.0 4108.0 4068.0 3940 4124.0 4094.0 - 4127.0 4107.0 120  SE 250 INDEX FUTURES (LIFFE) £10 per full index point  4445.0 +9.0 0  SE 100 INDEX OPTION (LIFFE) (4051 ) £10 per full index point  3900 3950 4000 4050 4100 4150 4200  C P C P C P O P C P C P C P C P G P G P G P G P G P G	4055.0 4054.0 - 4067.0 4048.5 16923 434 4076.5 4073.5 -2.0 4108.0 4068.0 3940 165 4124.0 4064.0 - 4127.0 4107.0 120 18  SE 250 INDEX FUTURES (LIFFE) £10 per full index point  4445.0 +9.0 0 34 4495.0 +9.0 0 16  SE 100 INDEX OPTION (LIFFE) (4051 ) £10 per full index point  3800 3850 4000 4060 4100 4150 4200 42 C P C P C P O P C P C P C P C P C P C P

TRADING VOLUME

once		Mic.	40	906		Close		Net	Div. (	3rs P/E
P	up)	(CULT)			Stock	P	#		COV.	
90	F.P.	14.5	1074	100 <sup>1</sup> 2	TACCESS PRES	100 <sup>1</sup> 2xd		ab3,45	1.8	4.3 13.2
970	F.P.	18.5	8412	7212	Advenced Power	7912		-	-	
63	F.P.	7.55	44		Baechcroft	4		-	-	- 134
\$157		40.9			Brande Helich	187 2		<b>W9.5</b>	1.9	2.3 184
§130	F.P.	35.B	16212	130	Britt Alicroft	1522		L1.6	3.0	1.8 27.0
\$138	F.P.	50.8	163 2	152 2	Car Group	162 2		W3.9	2.6	3.0 15.8
\$200	F.P.	40.0	246	232 2	Cacicentre	240-2		124	2.5	12 303
-	F.P.	6.25	8%	54	†Charterise Com	ns 64		w-	-	- 14.0
§115	P.P.	4.27	12212	12012	Davin Til Dusk	12112				- 103
160	F.P.	10.2	18412	15512	Theep See Leisun	162 2		· -	-	
<b>§276</b>	F.P.	71.9			Drust Grp	31412	-4	-	-	- 342
\$42	F.P.	9.26	9712	9712	Butter line	9712		W3.5	1.6	45 174
- 5	F.P.	31.1	510		First Russian C	587 2		-	-	
	F.P.		1305		Thetare int Tole	12612		٠.		
	F.P.	80.0			Geo Inter Med	80	-812		_	
§110				1146	Goshawk Insce	12212		-	-	
	F.P.	92.0			Grantchester	131 2			-	
650	F.P.	5.81	525	4710	Ken Rive	5012		-	-	
	F.P.			18717	Majestic Wines	2272	* '41	-	-	- 132
\$135	FP.				Oliver Ashworth	135	٠.	F4.6	1.8	43 120
	F.P.				Provend	1272		RW3.0	2.4	3.5 13.0
590	F.P.		10015		<b>TRacycling Serve</b>	9912		W3.2		4.0
§125					Scot Highland Ht			R3.0	24	27 13.9
<b>5</b>	F.P.				Second St David	112-2	41		_	
š	F.P.	1.02	105		Do Residual Cap	912	•••	_	_	
Š	FR	10.9	185		Do Zero Div Pri	185		_	_	
\$180	F.P.				Semple Cochrane	225	-4	=		- 21,1
	F.P.	25.8	34		†Snakeboard	334	-1	_ =		- 41/1
-										
					Placing price, * in onder Share Servi			4, RA , #	A)	mod Ot by

4_	00 day	3	ago	ylaid %	taillo .	High	Low
846.72	+26	1400.06	1496.63	1.64		2520.73	1800.06
2179.15	+1.3	2151.14	2361.62	3.52	31.29	3553.86	2151.14
2112.63	+1.5	2081.45	2434.19	2.68	20.85	2927.34	2005,75
720A2	+3.3	1665.73	1007.26	0.76	55.11	2186.38	1648.45
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589p after the electricity g	Mary IN	uniber of a	companies	. Beals U	5 Dollars.	Bese Valu	e. 1000.	00 31/12	702 † F	Partial, La	Heat price
				**514.916	es Apr	, aries		T	ne U	K S	eries
	Dec 5	Day's chge%	Dec 4	Dec 3	Dec 2	Year ago	Div. yloki%	Net			. Total
FTSE 100	4051.2	2 +0.1	4045.2	4061.5	4038.5	3639.	3.93	2.03	15.67	165.83	1891.50
FTSE 250	4435.8	8 +0.2	4421.8	4427.5	4414.8	3953.8	3.54	1.49	23.60	166.90	1611.99
FTSE 250 ex IT							3.64	1.52	22.61	175.10	1830.64
FTSE 350			2008.5	2015.4	2005.2	1804.7	3.85	1.92	16.88	S1.00	1715.86
FTSE 350 Higher Yield	1927.4	+0.8	1816.3	1922.0	1910.6	1800.7	5,11	1.60			
FTSE 350 Lower Yield			2108.1	2116.2	2106.9	1813.4	2.71	2.14			
FTSE SmallCap			2162.77	2161.28	2159.98	1947,96	3.19	1.58			
FTSE SmallCep ex IT	2164.43	3 +0.1	2161.69	2181.08	2160.69	1925.96	3.40	1.64	22.35	70.26	1617.78
FTSE AL-Share				1986.29	1976.69	1779.24	3.80	1.90	17.28	78.43	1717.37
FTSE Actuaries Ind	ustry	Secto	M'S								
		Day's				Year	Div.	Net	P/E	Xd adl	Total
	Dec 5	chgo%	Dac 4	Dec 3	Dec 2	ago	yield%	COVER			Return
10 MINERAL EXTRACTION(25)	#### Universities of Companies, Basic US College, Basic Value: 1000.00 31/12/82 7 Perital, Latest present the electricity gent was unavailable for this edition.    SE Actuaries Share Indices		1701 D								
12 Extractive industries(6)	4182.56										
15 Oil, Integrated(3)	4008.09										
16 Oil Exploration & Prod(14)	2927.A5										

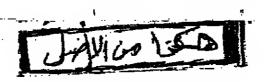
FTSE All-Share	1983.73	+0.2 198	0.09 13	86.23	1976.69	1779.24	3.80	1.90	17.28	78.43	1717
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10 MINERAL EXTRACTION(23)	3880.86	+0.1 387	5.84 38	98.56	3865.24	\$179.88	3.68	1.71	15.90	142.73	1701
12 Extractive Industries(6)	4182.56	-0.3 418	5.62 42	29.21	4221.67	4236.21	3.86	2.66		162.00	
15 Oil, Integrated(3)	4008.09	+0.1 400					3,85	1.55		154.38	
16 Oil Exploration & Prod(14)	2927.A5	+1.2 289	2,20 28	27.27	2940,58	1971,99	1.80	1.73	40.07	52.93	1774
20 GEN INDUSTRIALS(275)	1968.97	+0.2 196	4.84 19	70.86	1971.47	1922.62	4.36	1.66	17.29	80,70	1096
21 Building & Construction(34)	1155.73					1010.52		1,47		39.95	
22 Building Matis & Merche(29)		+0.3 180						1.40		75.00	
23 Chemicals(25)	2378.28	+0.9 235						1,44		101.33	
24 Diversified Industrials(19)	1376.23	+0.4 137						1,54	11.01	90.53	794
25 Electronic & Elect Equip(36)	2239,80	+0.1 223						1.47		64,68	
26 Engineering(71) 27 Engineering, Vehicles(14)	2576.58	+0.2 2572						2.30		79.11	
	3159.06 2485.37	-0.5 317						1.72		103.02	
28 Paper, Pckg & Printing(28)	1068.50	-0.5 249						7.82		97.81	
29 Textiles & Apperei(19)		+0.1 105			_	_		1.16	1a 15	69,33	675
30 CONSUMER GOODS(82)	3743.27	-0.3 375					3.89	1.95	16.45	144.40	1414
32 Alcoholic Beverages(8)	2649.74	-1.9 269						1.85		126.04	
33 Food Producers(25)	2663.83	+0.3 265						1.77		89.90	
34 Household Goods(15) 36 Health Care(18)	2592.04 2023.05	+0.1 258						2.24		191,20	
36 Health Care(18) 37 Phanneceuticals(14)	5750.80	+0.5 2013						1,93		55.92	
38 Tobecco(2)	3841.86	-0.4 5770 +0.6 3917						2.01		172.19	
				_				2.13	8.92	262.07	101
SERVICES(252)	2603.78	-0.2 2000						1.97		80.37	
11 Distributors(30) 12 Laisure & Hotels(25)	2922.13 3259.77	+0.5 2900						2.02		87.46	
(3 Media(44)	4205.73	+0.6 3236					2.75	1.97		173.45	
4 Retailers, Food(14)	2070.93	-0.7 4230 +0.5 2061	109 900	73.03	2072.00	3318.79 1000.00	2.20	2.10 2.28	27.08	93.63	1540
15 Retailers, General(45)	2107.72	-0.5 2117	7.36 219	30 30	2127 62	1975 04		2.05	14,41	77.71	134
7 Breweries, Pubs & Rest.(21)	3225.17	-0.8 3251	.89 32	54.59	3226.00	9774.44	334	2.08		72.66	
(8 Support Services(50)	2744,71	+0.3 2735					1.82	2.22		49.33	
9 Transport(23)	2623.03	+0.2 2617					3.67	1.21		83.48	
O UTILITIES(38)	2494,71	+1.4 2460	RR 247	74 93	2483 84	9414 96	5.39	1.70	_	_	
32 Electricity(12)	2695.03	+1.6 2847	.04 26	85.10	285R 87	2788 2R	6.39	2.16	13.05	180.30 454.86	1121
4 Gas Distribution(2)	1464.55	+1.6 144					816	0.54	28 24	119.71	B04
55 Telecommunications(8)	2082,13	+1.1 2058	3.89 200	32,99	2053.35	1942.64	3.99	1.51	20.73	58.10	970
38 Water(11)	2315.49	+1.4 2283	100 230	71.85	2275.22	2120.08	6,43	2.30		107.12	
9 NON-FINANCIALS(865)	2059.13	+0.1 2056					3.85	1.61			
O FINANCIALS(104)	3454,42									84.44	
1 Banks, Retail(8)	4967.16	+0.4 3440					3.85	2.36		127.04	
2 Banks, Merchant(6)	3960.81	+0.1 4956					3.67	2.70		175.98	
3 ineurance(21)	1624,04	+0.1 3957 +1.8 1802					2.63	3.01		100.78	
4 Life Assurance(7)	4073.39	+1.6 4010					6.17	2.29		80.65	
7 Other Financial(20)	2799,18	+0.5 2786	09 976	F 37 4	7775 00	34/9.00	3.82	1.78		151,01	
9 Property(42)	1714,79	-0.4 1721					3.98	1.77		102.81	
								1.29	25.81	56.50	1078
C INVESTMENT TRUSTS(126)	3189.87	+0.6 3170	LB3 316	54.D1 (	n59,53	3000.74	2.24	1.13	49.62	66.70	1127
8 FTSE All-Share(895)	1983.73	+0.2 1980	LOS 198	6,29	976.89	1779.24	3.80	1.90		78.43	_
SE Pledatina	1220.88	+0.1 1219			_	-					
SE Fledging ex IT	1233.94	+0.1 1233					2.85	0.67		33.22	
		- TALL 1200		A.00	200,04	1107.34	3.05	0.59	69.35	36.14	1311
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World Wide Fund For Nature (formerly World Wildlife Fund) mational Secretariat, 1196 Gland,



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### **NEW YORK STOCK EXCHANGE PRICES**

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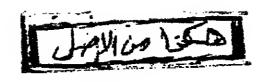
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Aktimen 19 148 1012 97, 102, 47, AM SEAF x 0.38 12 2107 235, 2212 23 39 First Am 1.21 14 1371 561s 547s 557s +1 1619809 36 347 353 +18 Almel Mathode A.P. 0.20 20 237 220 1 193, 103, -1, MFS Can 16 6809 49 49 481, -1, Fet Secty 0.86 10 1167 334 325 33 +7 5 2823 24 21 24 Fet Serry Los III 1167 33-75 257 2 3712 3712 3712 18 MFS Can 16 68009 49 49 4816 18 Fetment x 1.10 22 65 3416 3316 2414 +1 Michael F 0.20 17 815 1216 1112 1112 112 S Panilis: 0.48 21 1951 28<sup>1</sup>4 27<sup>1</sup>5 27<sup>1</sup>4 -<sup>1</sup>4 Steples 23158<sup>2</sup>2 19<sup>5</sup>2 18<sup>5</sup>3 19<sup>5</sup>5 +<sup>1</sup>6 Starbucks 63 7573 35<sup>1</sup>2 33<sup>7</sup>6 34<sup>1</sup>8 -<sup>1</sup>14 Author 0.24 24 4700 2912 2614 2673 -118 Autointo 2 956 272 213 273 Avandale 0.92 9 480 1914 1812 1818 +14 63 7573 3512 33% 3418 -114 5 1849 11% 1112 1114 +18 156 7281 4243 23 2312 -12 18 398 8¾ 6½ 8½ 22 54 9½ 0 8½ +¼ Mergrats Std Micro 2711586 1414 1258 1314 +74 44 1584 7 612 658 -14 FoodLA 0.11 21 1008 9 634 876 736 Microst FoodLB 0.11 21 1889 9 873 876 736 Microst Footle A 0.10 10 79 436 334 436 436 Microst Microst Footle A 0.10 10 79 436 334 436 436 Microst Mi - B -38 01 1314 1234 13 8 E I B x 0.08 41 207 114 114 114 StrawbiCl 1,10 3 23 1714 163 174 MildwGrain 0.50168 110 16<sup>3</sup>4 15<sup>3</sup>4 16<sup>3</sup>4 +<sup>3</sup>4 Fst Fini 0.75 17 744 2812 2818 2818 -18 Miler H 2 0.32 25 1906 47 46 4614 -13 Fet Haved 4 1.24 12 585 13312 3212 33 +12 8504 3712 3518 3518 -218 Milco Skryker 0.05 27 2629 29<sup>1</sup>2 20 26<sup>1</sup>8 SulleranD 0.80 15 152 13 12<sup>1</sup>2 12<sup>5</sup>8 BabyTF 1006 u74 63 74 +2 Banctec 21 1915 1934 1934 -34 BankerSCp 0.64 11 145 1912 1914 1912 +34 Fuller HB 0.85 16 400 p48 46 8 47 4 +18 Minntech 0.10 16 20 11% 11 11% +% FultonFig 0.65 13 420 u21 12 2058 21 14 +58 MobileTel 5 9596 113 105 114 +4 SumitomoB 0.80 6 5 25% 24% 25% 12 8671 84 74 734 44 4 36 23 24 23 +33 Benkucrth 1.00 12 120 040 4 28 4 38 4 +12 Benks Geo 0.44 14 175 24 23 4 24 +14 Modern Co 024 15 26 1012 10 1012 +12 Summit Te 12 8671 814 714 734 Modere No x0.96 12 617 251 241 251 +1 Son Sport - G -Basic Pet 0.80 13 4 324 324 324 MolenA 0.06 24 324 36 3512 36 +14 GNI App 35 115 213 25g 213 +14 GNI Serve R07 38 25 3414 333 344 +15 GNI Serve R07 38 25 3414 333 344 +15 GNI Serve R0 264 332 313 344 +15 Moscom 0.04 13 498 916 876 8 Moscom 0.04 13 498 916 8 Mosc Bestert F USU 13 3 323 234 245 43 Bey View 0.60/38 668 404 384 394 35 BE Acto 81354 234 234 234 45 Bestert Cos 0.62 52 132 14 1312 1312 44 Sutton Re 190 77 10<sup>1</sup>2 9<sup>1</sup>2 9<sup>1</sup>2 -36 Swift Tra 0.01 29 276 24 23<sup>5</sup>6 23<sup>1</sup>4 18 9296 20<sup>1</sup>2 19<sup>3</sup>4 20 <sup>1</sup>8 19 4361 15 14<sup>5</sup>8 15 +<sup>3</sup>8 Symetrics 19 4361 15 145<sub>8</sub> 15 Syneticy 0.36 12 150 16<sup>1</sup>2 18 19 Synetic 96 1246 u5034 47<sup>3</sup>4 48<sup>1</sup>8 -Benklery 14 188 12<sup>1</sup>2 12<sup>1</sup>4 12<sup>1</sup>4 Benklery 0.52 15 1073 53<sup>1</sup>2 52<sup>7</sup>8 53<sup>1</sup>4 + <sup>1</sup>4 BHA Grp x 0.12 15 5 16<sup>3</sup>4 16<sup>3</sup>4 16<sup>3</sup>4 96 1246 150 4 474 484 -158 BMA. 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+2<sup>1</sup>2 TCA Cable 0.56 21 464 30<sup>1</sup>4 29<sup>3</sup>8 30 +1<sup>2</sup> TCI GOA x 5246738 13% 13% 13% | Gibert A | 0.40126 | 67 et 44, 13<sup>3</sup>2 13<sup>3</sup>6 | 4<sup>3</sup>8 | Message | Gish Bown | 43 317 | 7 6<sup>3</sup>2 | 6<sup>3</sup>2 | Metak Gor | Gibbs | 1 2695 | 11<sup>3</sup>6 | 11<sup>3</sup>2 | 11<sup>3</sup>2 | 4 | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | Message | 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Telegraphy 26 3402 126<sup>5</sup>g 26 26<sup>1</sup>g NexterCran 8 6961 15<sup>5</sup>3 15<sup>1</sup>4 15<sup>1</sup>5 15<sup>1</sup>4 15<sup>1</sup>5 16 Nordson 0.74 19 20 55<sup>1</sup>4 55<sup>1</sup>4 55<sup>1</sup>4 1<sub>8</sub> Notion x 0.50 22 1775 43<sup>1</sup>4 43<sup>1</sup>4 43<sup>1</sup>8 1<sub>4</sub> 2. FT Free Annual Reports Service
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# Dow moves lower on bonds slide

US equities were mixed as blue chips weakened along with the bond market, while technology sector lifted some shares, writes Lisa Bransten in New York

At 1 pm, the Dow Jones Industrial Average was off 8.47 at 6,414.37 and the Standard & Poor's 500 slipped 1.51 at 743.59; while the American Stock Exchange compos-ite lost 1.31 at 590.30. NYSE



volume was 281m shares. Bond prices fell sharply in early afternoon trade as the dollar weakened and the Federal Reserve failed to conduct a much anticipated purchase of Treasuries. Also. there was some nervousness on the market that today's point to growing wage pressures, or an increase in economic activity.

By early afternoon the long bond yield had jumped by 11 basis points since late financial services racking up on Wednesday to 6.5 per the beaviest losses to end cent, making bonds an increasingly attractive alter- 2.8 per cent.

native to shares. however, managed to post modest gains, helping the Nasdaq composite recover

The Pacific Stock Exchange technology index slipped by 0.1 per cent.

The top three Nasdaq issues were mixed. Microsoft a modest rebound in the added \$1 at \$1544 and Cisco Systems \$1 at \$64%, while intel lost \$1% at \$128%.

> Class H shares in General Motors, which represent the company's Hughes division, added \$3% or 6 per cent at \$56% on reports that GM might be looking to sell the defence and aerospace businesses. General Motors shares were \$1/2 stronger at

Chrysler gained \$% at \$35% on news that its hoard had voted to double the size of its share buyback program to \$2bn and to increase its annual dividend by 14 cents to \$1.60 per share. Continental Airlines gave

up \$1% of the \$2% it added on Wednesday amid mounting scepticism that the carrier would be purchased by Delta Air Lines. That brought the share price to \$29%; Delta, meanwhile,

slipped \$1/4 at \$75%. Loctite added \$1/4 at \$60% as it succumbed to a higher hid for the company from Germany's Henkel. Henkel. which had originally offered \$57% for the company. increased its offer to \$61 late on Wednesday.

TORONTO bad another downside day in splte of strong results from the figures on November banking sector, At noon the employment levels could 300 composite index was down I per cent, sliding by 59.06 to 5,851.59 in good

> The bulk of the index subsectors lost ground with the morning session off by

Alcan Aluminium dipped Some technology shares, 25 cents to C\$46.55 and Canadian Pacific lost 45 cents to C\$35.60, Barrick Gold, belped by a steadier day for the bulmost of Wednesday's loss lion price, gained 55 cents at with a rise of 2.02 at 1,299.04. C\$39.85.

### Sao Paulo 1.4% higher

Wall Street provided an been postponed from Febru- and pharmaceuticals, underearly lead for SAO PAULO, ary 1997. which picked up 1.4 per cent MEXICO CITY pulled back between strong consumpat midsession, taking the on profit-taking although tion-driven stocks and lag-

Major state-owned blue cblp companies gained ground. Telebras rose 0.5 per cent while Petrobras picked

up i per cent. per cent and 2.3 per cent sion. respectively. CVRD, the minas the shares rebounded followed news that the com- ahead by midsession at pany's privatisation had 629.73.

some analysts forecast that the market would soon gather steam for another rally. The IPC index lost 17.60 to 3,372.88. GMexico. the mining group, subsided after speculation that the Eletrobras preferred and company would be awarded ordinary issues were up 1.7 a rail privatisation conces-

**BUENOS AIRES edged** ing giant, gained 0.5 per cent higher, lifted by a rise in the domestic bond market, and from Wednesday's fall which the Merval index was 0.96

### Balanced trade in S Africa

Shares in Johanneshurg tinned softness for the rand ended little changed after a and a disappointing Proday of busy but evenly balanced trade.

The overall index was up 4.4 at 6,717.6 with industrial Bank was up 60 cents at shares 8.5 higher at 7,977.1. R23. The hullioo price had The gold sbare index closed an uneasy day and golds cal issues to rewrite their off 5.8 at 1,510.7.

industrial shares was seen and kloof shed 45 cents to as impressive given the con- R36.30.

docer Price Index. Sasol was RI better at R57.25 and First National mostly moved lower. Vaal The recovery among Reefs came off R5 to R324

### Rumours of cross border deals in the pharmaceuticals industry and further take-

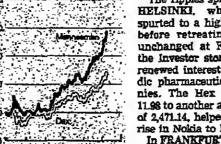
over speculation in Germany made for lively trade. ZURICH heard more

rumours about Roche, this time suggesting that a major investor had changed shares in the Swiss group for some in the Swedish drugs company, Astra.

Pharma Vision, the investment trust managed by Mr Martin Ebner's BK Vision, refused to comment on stories that it was the seller of Roche, in exchange for some of the 10 per cent of Astra held by Investor of Sweden. Mr Philipp Buchli at Bank Sal Oppenheim in Zurich

believed that Astra could be of interest to Roche. Rather than a full blown merger, however, he believed that co-operation was more likely in the form of an asset swap, joint venture or licensing agreement. The logic of an exchange of shares between Investor and Pharma Vision was that it would give both groups increased exposure to any upside potential in Roche and Astra.

Earlier rumours had linked Roche with Smith-Kline Beecham in the UK and, said Mr Buchli, a tor, which declined comment



ish groups would not pre clude further pacts between

Share price and index rab

Roche and SmithKline. Roche certificates added SFr30 to SFr10.180, while the bearers edged SFr15 higher to SFr15,600. According to its 1996 first half report, Pharma Vision, SFr4 ahead at SFr608, held 230,000 of the Roche bearers and 74,000 certificates. The SMI index made an enthusiastic start. peaking at a record intra-day high of 3,937.5 but subsequently pulled back to close 3.2 firmer at 3,913.8.

in STOCKHOLM, Astra rose to an intra-day record of SKr339 and closed SKr5.5 ahead at SKr284.5 and Invesco-operation agreement on the rumours, was SKr5.5 between the Swiss and Swedahead at SKr284.5. Mean-

eral index picked up 19.3 to close at an all-time high of

of 2,471.14, helped by a FM3

2.918.16 before subsiding to

time, the Affarsvärlden Gen-

The ripples spread over to HELSINKI, where Orion spurted to a high of FM163. before retreating to close unchanged at FM157.70 as the Investor story provoked renewed interest in all Nordic pharmaceuticals companies. The Hex index rose 11.98 to another all time high

forecast sales growth of 6-8 per cent in 1997 and at least per cent a year between

eventually hit stony ground. Veba and Mannesmann both denied rumours that they were intending to merge their telecommunications operations. The latter, after peaking at DM692.20, ended Ibis trading only DM4.20 higher at DM673. The broad market, too,

rise in Nokia to FM266. In FRANKFURT, too, pharmaceuticals were in the spotlight. Following Wednesday's takeover rumours about Schering, disclaimed by the target, Schwarz Pharma jumped DM3.90 to DM113.90, as the chairman

1998 and 2003. Another takeover rumour

moved from jubilation to a more sober conclusion, the Dax index reaching an all-time intra-day high at

Rumours rife in pharmaceuticals industry

FTSE Actuaries Share Indices THE EUROPEAN SERIES Open 10.30 11.00 12.00 13.00 14.00 15.00 Glose Housey changes FTSE Eurotrack 100 1896.38 1900.77 1901.51 1902.44 1900.43 1896.75 1893.85 1993.77 FTSE Eurotrack 200 1929.88 1932.91 1931.09 1933.80 1931.91 1927.80 1927.05 1825.76 Dec 4 Dec 3 Dec 2 Nov 29 Nov 28 1925.28 183457 LONGS 100 - 1882.00 200 - 1924.00 + Pagel

2,894.43, up 13.54.

Brokers liked the Bundesbank's decision to exempt repo agreements with maturities of up to one year from hanks' minimum reserve reopirements: the sector rose, Deutsche Bank gaining 65 pfg at DM73.50 and leading active stocks in DM1.1bn as German stock market turnover rebounded from DM9.8bm to DM12bm

Carmakers were mixed. Daimler lost DM1.65 at DM102.55 and Porsche prefs climbed another DM63 or 5.3 per cent to DM1,250.

Mr Hans-Peter Wodniok at Crédit Lyounais in Frankfurt said that the perceived dispute within Daimler's senior management about restructuring alms was weighing on sentiment, whereas an analysts' meeting. at Porsche today might. FFr117.20. ascertain whether earnings forecasts produced by the company earlier this week

were as modest as they

gains to end lower after heavy falls in oil and automotive stocks. At the close, the CAC 40 was off 16.15 at

threw cold water over French oil stocks. Elf Aquitaine came off FFr14 to FFr443 and Total shed FFr7.90 at 17416. Defence stocks had a quieter session with Lagardère

down FFr1 at FFr146 and Alcatel Alsthom off FFr3 at FFr457. Thomson-CSF rose FFr1.50 to FFr162.

Michelin rose FFr1.40 to FF1277 on the news that it had disposed of part of its 6.1 per cent stake in Peugeot. The carmaker dipped FFr16 to FFr622 on the deal Renault came off FFr1.40 to

Bouygues, the construction leader, rebounded FFr15 to FFr575 after a recent period of relative weakness.

spite of a bounce in KLM. which moved ahead strongly following news of a share buyback. The AEX Index ended down 2.37 to 628.44.

KLM jumped almost 5 per cent on the news that the government was to buy back shares and boost the airline's earnines by 20 per cent

in the process. At the close, shares in the airline were Fl 2.10 higher at FI 47.80 in active volume of 3.5m. Akzo Nobel also gained ground, adding Fl 2.60 to FI 236.10 following broker upgrades.

A downward shift of The day's big loser was stance by Merrill Lynch Elsevier. The publishing group's analysts' meeting was seen as disappointing and, amid talk of earnings downgrades, the shares came off Fl 1.40 to Fl 28.30.

Hoogovens continued to improve after Tuesday's upgrades and news of the alliance with UGB of Belgium. The shares added 50

cents to FI 70.20. LISBON hit a new high for the third day running with the PSI-20 index closing 28.72 higher at 5,005.39. A number of brokers have turned positive on Portugal in recent weeks, citing the resilience of the economy and EMU convergence factors.

Written and edited by William

# Project

MITTER THON W. MA

# Tokyo sharply higher as Seoul extends losses

### ASIA PACIFIC

A surge of buying activity took TOKYO sharply higher, helped by a steep decline in the hond market which prompted arbitrageurs to build up long positions in cash stocks, writes Gwen

Bonds weakened on fears of higher interest rates, following remarks hy a former senior finance official suggesting that the Bank of Japan wanted to raise the official discount rate from its current record low of 0.5 per

The Nikkei 225 average rose 283.99 to 20,943.90, after moving between 20,668.50 and 20,976.54. Big buying by securities bouses, domestic institutions and foreign investors lifted selected blue chip electricals, carmakers lining the recent polarisation gards such as banking

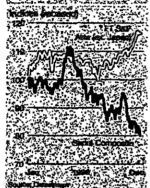
small-capital issues. Volume swelled from 277m shares to an estimated 356m. Advances led declines by 739 to 342, with 170 unchanged, the broader Topix index of all first-section stocks jumped 15.40 to 1,551.76 and the capital-weighted Nikkel 300 climbed 3.33 to 293.92.

in London, the ISE/Nikkei 50 index lifted 3.19 to 1484.32. Ricoh, the day's most active issue, climbed Y90 to a new high for the year of Y1.310 in volume of 11.3m sbares. Toyota hit an all time high of Y3,230, up Y170, while Honda advanced

Y140 to Y3,360.

recent healthy interim reports and projections of robust full-year earnings, gaining 3.1 per cent as a sector. Among the pharmaceuti-1996 bighs, Sankyo added Y190 to Y3,310 and Takeda Chemical Industries Y120 to Y2.380.





Electricals and some hightechnology stocks also advanced, with Sony up by Y70 to Y7,500 and Matushita Electric Industrial by Y50 to

Banks, bowever, continued to languish on persistent concerns about their ability. to solve the bad debt crisis. Industrial Bank of Japan fell Y30 to Y2.130 and Full Bank was down Y30 at Y1.910.

In Osaka, the OSE average climbed 236.03 to 21,132.97 in volume of 30.6m shares.

BOMBAY reversed the per cent tumble of the previous three sessions, which took the market to a three year low, and the BSE-30 mdex rebounded 67.16 or 2.45 per cent at 2,812.22 The recovery came on

unconfirmed press reports

that senior finance ministry officials were likely to meet the beads of major domestic financial institutions today to review the sluggish market conditions. Pharmaceuticals contin-ued to benefit from their

Sentiment gained from cut in interest rates. The central bank sliced 60 basis

JAKARTA gained ground for the sixth day running to notch up a new high for the year. At the close, the composite index was 8.03 or 1.3 per cent higher at 634.3.

points off its discount rate. and bank shares movad ahead sharply. Bank Negara Indonesia rosa Rp100 to

Rp1,376 on 71.4m shares losses to a fifth straight ses-

SEOUL extended its losses to close at a 38-month low on fears of labour strife over the government's plan to market would not crash. revise labour laws. The composite index ended 9.57 lower at 706.30. On Wednesday, members of the ontlawed Korean Confederation of Trade Unions, which claims members in a number of leading companies, voted overwhelmingly to strike to protest at the government's labour reform plan.

Daewoo shares edged down, but in line with the market, after the French government's suspension of the sale of Thomson SA.

DHAKA extended its buted to rotational buying.

sion as investor confidence continued to dwindle, in spite of assurances from the

The DSE all share index shed \$1.9 or 1.9 per cent at 2,667.1, in turnover that, few minutes of trading. The slumped to Tk10.4m, the lowest since July. HONG KONG featured a

finance minister that the

star performance by Hong-kong Electric while fresh evidence of the strength of the property market also supported a broad advance. The Hang Seng index added 57.32 to 13,491.56.

A 45 cent rise in Hongkong Electric to HK\$27.10, off a high of HK\$27.75, was attri-

property stocks, Sun Hung Kai rose HK\$1.25 to HK\$98. SINGAPORE finished higher, against expectations, per cent for October . after strong demand index components in the last

Straits Times Industrial

index closed 19.81 higher at

2.214.17. . TAIPEI gave np early gains to end slightly lower after profit-taking in the final hour of trading. The

index closed off 24.15 at 6,919.49. Nan Ya Plastics lost T\$1 or 1.45 percent to T\$68. MANILA pushed ahead smartly following the release

of November inflation and,

Among mostly higher index rose 32.46 to 3,163.33. November inflation came in at 4.5 per cent on an annualised basis, down from 4.7

SYDNEY recovered emerged for several key strongly, underpinned by gold stocks which rebounded on the back of the better showing by the bullion price. The All Ordinaries index gained 12.6 to 2,383.3.

Golds were also boosted by takeover talk at Newcrest Mining which jumped 32 cents to A\$1.92. China's bard currency

shares were mixed, SHEN-ZHEN's B index rose 4.5 per cent while its SHANGHAI counterpart gave up 14 per cent after this week's sharp in busy turnover, the main gains,

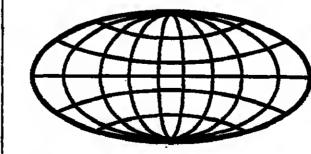
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REGIONAL MARKETS -				SDAY D	CEMBE	R 4 1996					DECEM	BER 3 1	996	DO	LAR IN	DEX
Figures in parentheses	us	Day's	Pound			Local	Local	Gross	US	Pound			Local			Year
	Dollar Index	Change %	Storling	Yen	Index	Currency	% chg	Div. Yleid	Doller Index	Sterling	Yen	Index	Currency 5	2 week: High		
			N NJEK	ITACION	PRIMA	IIAIOA	Oil Gey	1 Kaly	- TORK	aklex	RIGHT	THURK .	URZEA	रसञ्जा	LOW	(Approx
Australia (78)		-0.2	197.75	156.34	177.55		-0.4	4,19	218.93		157,38				186.70	
Austria (24)		0.4	166.95	131.99	143.90		0.1	1.91	183.80		132,14				168.36	
Belgam (27)		0.2	203.10	160,57	182.36		no	3.74	224,04			182.48			199.91	201,4
Brazil (26)1		-0.\$	165.72	131.02	148.80		-0.4	1.76	184.04		132,31			189,70	131.21	140.8
Canada (116)	91.93	B.0-	173.67	137,30	155 93	187.74	-0.7	1.92	193.49		139,10			196.24	144.35	147.8
Denmark (30)		-0.1	302.15	238,88	271,30		-0.3	1.70	334.29			272.25		340.41	281.10	
Finland (2412		0.3	218.68	171,31	194,55		0.1	2.14	238.74		171.63			240.85	171.73	215.6
France (93)2	:09.90	- 1.2	168.92	150.16	170.53	173.75	-1.5	2.81	212.49	190.68	152.78	173.08	176.47	212.49	167.70	187.7
Germany (59)1	85.98	-0.5	168.28	133.04	151.10		-0.7	1.61	186.83			152.15		188.58	161.25	161,3
Hong Kong (59)		-0.2	461.50	364.87	414.38	506.40	-02	3.06	511.20	458.75	387.50	418.32	507.49	512.27	372.58	381.7
ndonesia (27)2	26.50	2.0	204.94	162,03	184.01	326.01	2.0	1.59	222.02	198.24	159,61	180.81	319.53	-	-	
reland (16)	13.01	-0.7	283.21	223.91	254 30	268.68	-0.1	3.40	315.08	252.78	226.52	256.61	269.00	321.14	250.17	253.7
taly (58)	81.34	-0.5	73.60	58.19	66.08	93,32	-O.6	2.22	81.72	73.34	58,75	66.55	83.88	84.53	67.22	67.5
Japan (480)1		0.6	124.78	98.66	112.03	98.65	nı	1178	137.08	123.02	98,65	111.64	98.55	164.68	137.08	150.5
Malaysia (107)	98.36	0.4	541.41	428.04	486.12	581.1S	0.3	1.07	595.73	534.61	428.27	485.16		607.65	475.88	481.4
Meulco (27)12	28.30	0.0	1111.39	878.68	997.90	10559.03	-0.2	1.05	1228.02	1102.03	882.82	1000.10	10578.08		936.49	
Vetherland (19)3		-0.9	290.27	229.49	260.63	256.65	-1.2	2.88	323.71	290.50	232.71	263.63		328.12	264.79	264.7
New Zepland (15)		1.7	85.42	67.53	76.70	70.30	0.8	3.92	92.79	83.27	86.71	75.57	₹9.66	94.40	75.84	78.5
Norway (35)2		-0.8	254.80	201.45	228.78	249.13	-0.9	2.03	283.89		204.09	231.20		285.26	222.24	224
Philippines (22)2		0.0	182.14	144.00	163.54	263.79	0.9	0.63	199.58			162.53		-		
Singapore (43)		0.7	377.11	298.14	338.60	269.42	0.6	1.00	414.09	371.61	237.69	337.24		485.21	371.28	207 6
South Africa (44)		0.3	294.17	232.58	284.13	331.75	0.8	2.35	324.06		232.98	263.97	329.81			387.5
		-0.4	180.51	142.71	162.08	198.78	-0.7	3.02	200.37	179.82	144.05				314.20	369.2
pain (37)1														200.37	157.91	158.8
Sweden (48)		-0.B	372.61	294.75	334.74	414.56	-0.9	2.06	415.29	372.63	298.51	338.17		415.87	294.19	316.5
Switzerland (37)		0.3	217.75	172.18	185.52	197.38	-0.4	1.50	240.01	215.39	172.54				219.29	229.6
Thailand (45)1		-1.4	98.51	77,88	88.45	108.04	-1.4	3.18	110.44	99.11	79,39	89.94			108.87	162.2
Jinted Kingdom (213)2		-1.2	240.98	190.52	216.37	240.98	-0.4	3.96	289,52	241.87	183.76	219.49	241.87	273.93	222_45	226.2
JSA (823)2	03.34	-0.4	274 47	217.00	248.44	303.34	-0.4	1.98	304.70	273.44	212.05	248,14	304.70	307.82	243.34	250.9
mencos (794)2	77.53	-0.5	251.12	198.54	225.48	233.36	-0.S	1.97	278.81	250.21	200,44	227.07	234.42	281.50	222.53	228.7
urope (720)2	30.45	-0.8	208.52	184.86	187.23	200.83	-0.7	2.98	232.24	208.41	166.96	189,14			194.31	195.5
lordic (137)3		-0.S	318.32	251.67	285.B1	311118	-0.7	2.01	353,67	317.39	254.26	288.03		355.21	261.13	262.1
acriic Basın (876)1		n5	141.41	111.80	128.87	112.91	0.1	1.24	155.53					177.01	153.96	160.9
uro-Pacific (1596)		-0.2	169.27	133.83	151.99	146.07	-0.3	2.08	187.39	168.17	134.71	152.81		181.51		
		-0.2 -0.5	268.45	212.24	241.04	295.76	-0.5	198	298.07	267.48	214.28					175.2
lorth America (739)			186.58		167.53	176.05	-0.5	2.27	207.30	1B6.03	149.03	168.82		301.16		
urope Ex. UK (507)20		-0.5		147.51		271.15		2.75		282.34	228.13	258.23	177.51		174.81	1743
beric Ex. Japan (396)3		0,1	284.97	225.30	255.87		00		314.62				271.19		207.51	260,
Vorld Ex. US (1611)		-0.2	171.28	135,41	153.70	151.44	-0.3	2.08	189.65	170.18	138.34				176.03	178.2
Vorld Ex. UK (2221)2		-0.2	200.18	158.27	179.74	190.40	-0.4	1.83	221.70	198.05	159.38	180.55	191.10		196.13	196.5
lorid Ex. Japan (1954)27	70.97	-0.5	245.18	193.84	220.15	255.39	-0.5	2.53	272,97	244,42	195.61	221.82	257.62	274.88	224.52	226.5
a 1824 del Janhous PO49 de 187	3E 49	Да	202 60	101.04	182.00	106.07	-0.4	2.03	225.00	202 64	162 23	109.00	106 70	229.07	400 4=	

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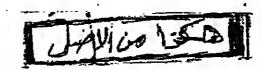
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t is not until compara-

tively recently that

recruiters and selectors

began systematically to

look for telephone-based cus-

tomer skills in their staff.

When goods were ordered

and complaints made by let-

sitive, firm and clear docu-

ments were obviously

valued. But the widespread

use of telephone sales has

changed that - and cus-

tomer expectations of how

People are becoming used

to being able to telephone

direct suppliers six or seven

days e week almost around

the clock, ordering anything

from clothing to computer

software. They have come to

expect that they can gener-

ally do businesa over the

telephone and may become

angry if they discover they

have to resort to the "snail

Most homes have tele-

leaders in telesales

phones, calls are cheap and

have equipment that allows

them to offer a first-class ser-

vice directly to the cus-

tomer. But companies that

install the latest systems for

handling telephone business

can be seriously handi-

capped if they do not have

THE COMPANY

specialist teams.

mail"

they should be dealt with.

inday December ...

## + + - 14-

THE THEFT

ANGLO IRISH BANKCORP

John Hayden, Personne' Manager, Anglo Irish Bank Corporation, plc. The crossing date for applications is Leiday 3 January 1997.

## RECRUITMENT

Adrian Furnham on the importance of developing telephone sales skills

# A clear line to call-centre staff

ter, the skills of drafting senin most cases, large companies establish call centres to handle telesales. Like all managers, those in charge of call centres try to keep costs to the minimum using technology such as telephone management systems, workflow systems, profit/service data systems for the

> employee, and database management software. The human factor - the training and motivation of call-centre staff - remains neglected. Yet the person customers speak to is their main link with the company and on whom they will judge the price and quality of the

> service they receive. Defining customer service on the telephone, faceto-face or even by letter is difficult to do. Services are intangible because they are about performance rather than product - they cannot be counted, measured or verified in advance of sale to

properly trained sales staff. Yet the product and the service are often inseparable because both are involved in the contact between customer and service provider. The qualities that telephone sales staff must convey to customers include: Responsiveness – obvious

> provide a service. Competence - having comprehensive knowledge and skills to deliver the ser-

willingness and readiness to

vice. · Access - the approachability and the general ease of contact with staff. Courtesy - explicit politeness, respect, consideration

and friendliness Communication - keeping the customers informed in a language they can understand, and listening to Understanding – making

an effort to understand the Reliability – consisting of performance and dependabil-

Reading the increasing the job? Are the incentives answering the phone is number of advertisements in newspapers for telephone ity types employed? personnel, one could easily believe it is the best job in

the world. It is fun, exciting. easy, done from near home, working in and with a supportive team, and the potential for making a good living

Yet the data on call-centre personnel tell another story. Job turnover and absentee-ism is high: companies are reluctant to disclose the figures, but turnover is as high as 35 per cent a year where staff have a realistic alterna-

tive job to go to. Little attention has been paid to the recruitment, selection and training for this frankly unusual and specialised job. How can recruitment be done in line with business needs? What is the demographic and psychological profile of the ideal employee? What sort of training do call staff need

initially and then later in

appropriate to the personal-

In theory, the ideal member of staff in e call centre because they are more sociable, lively and interpersonally skilled than introverts. But extroverts also like variety, and sitting all day

Job turnover and absenteeism is high: turnover is

as high as 25 per cent a year where staff have

a realistic alternative job

tedious. They trade off speed for accuracy and while they are likely to answer more calls, they are also more likely to take down wrong

Extroverts are certainly easy to motivate by promise of rewards - but if these rawards are difficult to achieve because of the number and type of callers, they can become dispirited. They can also be erratic, particularly if a little unstable and the last thing the customer wants is an irascible, capricious telesales person tho, having been rattled by the previous customer, takes

it out on the next caller. "Selection is tha key." says Tony Miller, training director at Frizzell, the insurance broker, who has considerable experience in this area. Applying a standard battery of tests will not give the results of high-performing

Miller is responsible for skills are not. It is the one

ment can be made Assessment centres, psy-

and development of more

than 700 call-centre staff,

and has been involved with

high results training for

more than eight years. He

uses various psychological

"Often there is a misun-

techniques to improve per-

derstanding of some of the

basic requirements -

whether to select the compli-

ant introvert or the per-

celved difficult-to-manage

to suit the manager's style.

Conventional training meth-

"Decisions are often made

extrovert

personnel."

over the long term.

chometric testing and biodata analyses are all expensive ways of selection, but each has been shown to improve decisions - both in selecting the able and rejecting the inappropriate. Given the difficulty and importance of managing telesales staff, it is probably worth the investment.

and higher return on invest

unusual places to work. The open plan office with dim light and hundreds of people speaking at once is not everyone'e idee of a pleasant working environment. Staff can get, quite understandably, pretty rattled and snappy after dealing with dim, demanding, rude,

ods are not effective for creating high-performance inarticulate or naive callers. But they need to be recruited and retained in Choosing the managers with tha skills to get tha best larger numbers. Recruiting out of such staff is equally the wrong types and giving little or inadequate training difficult. They must be able is likely to lead to poor sales to create, maintain and manage a high-performing team and disgruntled customers.

Technology is available to The author is professor of psychology at University Col-lege, London rement and

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will be interested in using international banking skills, ideally acquired in a major financial centre, to build a career in,

The Person

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will have an excellent understanding of

will have some experience in the completion of fund

raising transactions in the international capital

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international treasury environment.

# Structured Product Analysts

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Union Bank of Switzerland is one of the City's leading financial institutions with a major presence in the debt securities markets. As part of the Global Fixed Income Division, the European Financing team originates, structures and syndicates a wide range of debt issues of sovereign, corporate and institutional clients.

The team is seeking two analysts to work predominantly with its private placement and structured product specialists. The new recruits will play an integral part in the design, origination and execution of structured MTN, repackaged and tax/accounting-driven debt transactions. The positions will provide prominent exposure in a high-growth and highpriority product area and an excellent platform for career progression within Global Fixed

Top-quality candidates are sought with 1 to 4 years' experience since graduation, gained at a reputable investment bank or, possibly, in the legal or accountancy profession. Familiarity with bond and/or derivative products is essential, as are strong quantitative and spreadsheet modelling skills. Fluency in a second language would be an advantage.

Please send full career details to:

Andrew Goodey Personnel Department **UBS** Limited 100 Liverpool Street London EC2M 2RH



## ASIAN CORPORATE FINANCE **ENERGY SECTOR** HONG KONG BASED

On behalf of our client, a major European Investment Bank with an internationally renowned reputation for sector-based corporate finance, we seek to recruit two experienced corporate finance professionals to work on a range of challenging

assignments in the Asian electricity and oil & gas sectors. Working as part of a large, well established and successful global sector team and with a fully regional brief, transactions span advisory, fund raising and merger & acquisition

Candidates must be willing to relocate to Hong Kong and have:-A strong working knowledge of the electricity or oil & gas industry

A minimum of five years experience in these sectors

Superb financial modelling, valuation and execution skills This is an exceptional opportunity to join a prestigious global energy corporate finance team at an exciting period in its growth in Asia.

Flease contact Stephen McAlinden at Eban International Limited, 1007, Strig Pao Centre, 8 Queen's Road Central, Hong Kong. Tel: (852) 2521 9933, Fax: (852) 2869 8576

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#### **Senior Treasury Executive Equity Capital Markets** Anglo Irish bank Corporation pic is a fully integrated Irish Banking Group with an asset base exceeding IREZ 3 billion CHIEF OPERATING OFFICER and capital resources of over IR£250 million. As part of the Bank's overall strategy for further growth, we are now

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Our client is one of the leading global investment banks, whose ECM business has achieved considerable success through a combination of strong capital backing, extensive distribution capacity and a right-knit innovative team operating worldwide. The result has culminated in a position well within the top ten in the league tables. The business has grown to such an extent that a need for a Chief Operating Officer has arisen to ensure the smooth running of the administrative process. The role will offer a significant challenge to an ambitious individual who will be required to establish an efficient middle office function before moving into a role in the front office.

- Establish/streamline a dedicated global MIS system for ECM
- Monitor ECM's positions/exposures worldwide
- Provide ECM with periodical performance analysis
- Oversee departmental P&L and cashflow
- Analyse ECM as to efficiency

Background

Age 27-35

Qualified Accountant

Highly computer/systems literate

Tenacity and thoroughness

Some exposure to capital markets preferable

Please write in confidence to: **Baines Gwinner Limited** 30 Eastcheap, London EC3M 1HD or Fax: 0171-623 1100.



European Bank

The European Bank has a unique challenge; to assist the countries of central and eastern Europe and the former USSR in their transition to market economies.

The Bank's Treasury Department is responsible for managing the Bank's assets and liabilities. funding, adding value by active multicurrency asset management and advising banking teams and clients on the structuring of project loans and risk

concepts, instruments. techniques and systems to add compensation and relocation

package, we offer action and achievement in an historic

Funding Officer

The European Bank is seeking a market pathesasses to just it the European Bank is seeking a market pathesasses to just it the European Department Funding Team. The Siecess in an indicate the Siecess of a watery of will be a member of a small team such as to a water of a small team such as to a water of a small engine and its constitution of associated hedging and documentaries.

of associated hedging and documentation.

The EBRD is an active borrower in the interest of capital markets, issuing about ECU 2.5 hillion in socialistic term and short term debt. The Bank is wholly combined to maintaining its reputation of an inaccence and factuable borrower, raising funds both in the sandleties capital markets as well as in a number of entering markets.

Requirements: | Minimum five years markets experience; | Strong derivatives background, capital markets experience; | Good understanding of legal issues 1.7 markets business approach and good team player; | Arthrother in communication of the

But more comprehensive job description(s) see our http://www.ebrd.com

To steply piece/send a detailed CV in English programs
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All applications will be acknowledged. Please help by not

## Top-Adresse der deutschen Wirtschaft

Unser Auftraggeber gehört zu den größten international erfolgreichen deutschen Konzernen. Bei der wertorientierten Weiterentwicklung des Unternehmens kommt dem Bereich Konzern-Treasury ein besonderer Stellenwert zu. Zur Verstärkung dieser Organisationseinheit wird eine Fachkraft mit fundierten Vorkenntnissen

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Die In diesem Bereich erstellten Berichte, Analysen und Kommentare, die sich schwerpunktmäßig mit der Liquiditätssituation, Finanzierungsfragen und den Zinsänderungs- bzw. Währungsrisiken befassen, stellen eine esentliche Grundlage für die Entscheidungen im Treasury des Konzerns dar. Für die zeitnahe Bereitstellung der erforderlichen Informationen soll ein anspruchsvolles DV-System aufgebaut, gepflegt und weiterentwickeit werden. In der Funktion sind Sie dem Leiter Konzern-Treasury unterstellt und führen ein kleines Tearn qualifizierter Mitarbeiter.

Für diese Funktion sprechen wir Kandidaten/-innen an, die eine fundierte theoretische Ausbildung in Form eines wirtschaftswissenschaftlichen Hochschulstudiums mitbringen. Ergänzende Qualifikationen (z. B. Ausbildung als Bankkaufmann oder MBA) sind erwünscht. Sie sollten über mehrjährige Berufspraxis im Bereich Finanzierung/Treasury verfügen und ihre Erfahrungen in einer großen Bank oder einem professionell geführten, international orientierten Unternehmen gesammelt haben. Es wird erwartet, daß Sie PC-gesteuerte Problemlösungen entwickeln und einsetzen können. Sehr gute englische Sprachkenntnisse, ein hohes Maß an Initiative und die Fähigkeit, mit anderen Fachbereichen des Unternehmens kooperativ zusammenzuarbeiten, werden ebenfalls vorausgesetzt.

Wenn Sie diese Interessante Herausforderung reizt, sollten Sie mit uns Kontakt aumehmen. Senden Sie uns bitte Ihre aussagefähigen Bewerbungsunterlagen (Lebenslauf, Zeugniskopien, Lichtbild, Gehaltsvorstellungen) unter Angabe der Kennziffer MA 6318/04 z. H. Frau Susanne Liedtke (++49/221/20506-49), Frau Petra M. Lochner-Hannen (++49/221/2 05 06-27) oder Herm Klaus Sänger (++49/221/2 05 06-24), die ihnen auch für telefonische Vorabinformationen geme zur Verfügung stehen. Die vertrauliche Behandlung ihrer

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**Industrial Enzyme Business** 

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reporting to the President Enzyme Business Operations Europe. The Role

Monthly, annual and medium-term planning and reporting for the European group. Responsible for ensuring sound financial control, in all reporting affiliates.

Responsible for managing small ff and accounting departments including relationships with various fiscal and social authorities. Member of European Business Management Team.

Working closely with the European President on all financial aspects of the business.

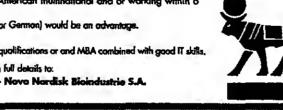
pitious and committed professional with technical expertise, business acumen and a hands-on approach.

Experience with a European or on American multinational and or working within a multicultural sales driven environment,

Fluent English + 2nd language (French or German) would be an advantage.

Familiarity with SAP R3 is desirable. Internationally recognised accountancy qualifications or and MBA combined with good IT skills.

If you wish to apply for this challenging position please reply with full details to: John A. Chambers, Human Resources Director Europe - Novo Nordisk Bioindustrie S.A. 79, avenue François Arago - 92017 Nonterre Cedex FRANCE.





#### **Credit Underwriters/Analysts**

GERLING-NAMUR is a leading credit insurance underwriter with 40 offices in 12 European countries. We are looking to strengthen our UK underwriting team with two experienced trade credit underwriters/analysts, one at senior level.

Reporting to the UK Underwriting Manager, responsibilities will include the collection and analysis of commercial qualitative and quantitive information.

The ideal candidate should have a good academic background, preferably to degree level or equivalent professional qualification, and have the following:

- Minimum of 5 years' experience as an underwriter/analyst in credit insurance or in the banking/financial sector
- Excellent communication skills in English (French
- and/or German would be an asset) · Willingness to take initiative and responsibility
- Commercially orientated

The basic salary package and benefits will be competitive and commensurate with experience.

Interested candidates should send their curriculum vitae to:

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City

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and European and UK product base has led to

THE POSITION Key member of London team taking lead role in

the marketing and closing of innovative finanting transactions, Initiate new business opportunities, Utilising market knowledge and transactional experience, assist in the structuring of new products

at cutting edge of asset and structured financing.

· Develop strong relationships with existing potential clients and professional advisors. Liaise closely with team members. **QUALIFICATIONS** 

◆ Graduate, with strong academie record and preferably a further qualification with taxation and/or finance focus. Experience of asset and/or structured finance transactions essential.

· Proactive marketer. Ability to grasp quickly and implement husiness objectives. Confidence in ability to handle husiness at senior levels. Entrepreneurial self-starter coupled with strong

communication skills. Lateral thinker. Team



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Please send full cv, stating salary, ref FS61204, to NBS, 10 Arthur Street, London EC4R 9AY

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#### Investment Executive

THE POSITION ◆ Identify, evaluate and develop new investment

Nordisk

opportunities, predominantly in the UK.

Participate in financial and commercial analysis of potential acquisitions. QUALIFICATIONS

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◆ Able to demonstrate vision, initiative and to prioritise and take responsibility at an early stage. ◆ A second major European language would be an

Schroder Ventures will be forwarded to NBS.

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Ref F\$61203 Please send full cv, stating salary and quoting relevant reference, to Simon Hankey, NBS, 10 Arthur Street, London EC4R 9AY. Curriculum vitae sent directly to

#### Life Sciences Associate THE POSITION

· Review, research and execute new investments in the healthcare industry in the UK and Europe. Source new husiness in Europe. Interact with continental European venture capitalists. Create deal flow from top research institutions.

QUALIFICATIONS Very bright graduate, probably MBA. Likely to be a qualified physician, PhD or industry specialist with 5 years' experience in a life sciences sector (pharmaceutical, biotech, medical device or

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Excellent communication and presentation skills. Credible at senior levels both technically and

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> London WIR 6LP, quoting ref: 1022. Tel: 0171-470 7160. Fax: 0171-470 7114. CRITERION

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Please write in confidence, with a cv and remuneration details, to Criterion Search, 50 Regent Street.

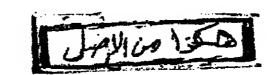
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## **Country Risk Analysts**

#### Competitive package + bonus

**High Wycombe** 

Dun & Bradstreet is the world's leading supplier of business information; following its recent demerger, the new company has an annual turnover in excess of US \$2 billion. The Economic Analysis Group is responsible for regularly assessing country risk across 120 different markets in which investors place funds and exporters trade. The Group now requires experienced analysts to produce its portfolio of country risk products.

Analysing countries and business sectors world-wide, you will contribute to D&B's flagship monthly journal, the international Risk and Payment Review (IRPR). You will also produce more in-depth analysis for individual country risk reports on a range of countries on a semi-annual basia, as well as participate in a number of ad hoc projects.

Attractive package

Ideally a post-graduate in Economics with a sound grasp of politics, you will have apent at least two years' in a financial/economic research or country analysis role, backed by experience writing for publications with an International perspectiva. With a proven ability to research, analyse and write clearly and concisely to tight deadlines, you will be an effective team player. A sound knowledge of the Middle East, Asia-Pacific and/or Latin America is preferable, and language ability would also be an advantaga.

Please write with full CV and current salary details to: Amanda Cooke, Senior Human Resources Officer, Dun & Bradstreet Limited, Holmers Farm Way, High Wycombe, Bucks

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Applications in strict confidence under reference UKFM5920/FT to the Managing Director, CJA.

# **Finance**

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TECHNICAL ANALYST

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The position will involve researching and developing lending and treasury business with major corporates in the Far East, particularly in the ASEAN area, keeping abreast of developments in the region and assisting the bank in determining its strategy for this important region. The position is ideally suited to an international banker with credit and/or lending experience in the Far East.

Knowledge of an Oriental language would be an

or Warth age.

London Based

It is likely that the successful candidate will be a graduate or possess an appropriate banking qualification. The position will be at Manager or Senior Manager

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Please write, in the first instance, with a full CV including salary details to:

Ben Wood, Vine Potterton Ltd, Suite 26, Ludgate House, 107-111 Fleet Street, London EC4A 2AB. If there are any companies to whom you do not wish your application to be forwarded to, please list them in a covering letter.

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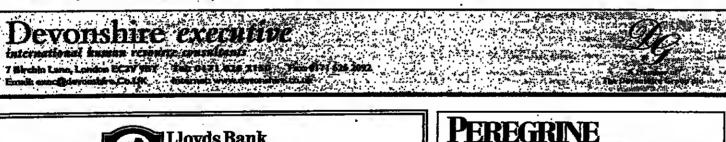
Our client, a recognised leader in providing comprehensive analysis and research in the area of commercial real estate, is expanding its operations to include European transactions. An opportunity exists for a real estate professional to join the London based structured finance team and lead this new initiative. The Candidate

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- Marketing to issuers, investment banks, and investors.
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# Devonshire executive





#### Portfolio Manager

Ешторе

#### Geneva-based

#### Competitive Package

investment Management Services (IMS) is the central investment unit of Lloyds Bank International Private Banking, which has its headquarters in Geneva. The unit is responsible for managing and advising private client assets and 32 investment funds. We seek to hire an additional portfolio manager to cover markets

For this position, candidates should be aged 30-40, university graduates in Economics or Business Administration, team players with minimum 5 years experience in fund management. English is our working language. Preference will be given to candidates with good track records in fund management and experience with UK equities.

Applications should be addressed to: LLOYDS BANK Pic

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•ability to co-ordinate with the existing octwork of cash salespersons in marketing of commoditised equity derivatives

This role requires much more than pro-active sales of equity derivatives products. It requires the candidate over time to build a business to match the existing successful businesses established in Asia and the United States. This involves identifying new opportunities as well as extending and enhancing the already successful range of products and expertise established by the Asian office.

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the improvement and evolution of the procedures with concern for tha constant adaptation to the rapid

administrative department of the Your well-developed sense of

· the relations with accounting and

relationship will be matched with at least 3 years experience in an auditing firm and/or in an international management services

This high profile role with extensive travels will bring you into regular contacts with 8 subsidiaries abroad. English is your mother tongue and you have a very good command of French, Knowledge of German would be an advantage.

Please send or fax your CV in French, quoting reference number 103, m our advising consultant Elise Roques, ETHNOS, 11 boulevard Pershing 75017 Paris, France. Fax 33 1 44 09 10 80.

**ETHNOS** 

## **VENTURE CAPITAL**

#### **Far East**

US\$ Ex-pat package

Our client is the leading venture capital group in Indochina, currently managing and advising on some US\$100m funds from offices in Hanol, Ho Chi Minh City (Saigoa) and Bangkok. Its primary role is to identify and make direct equity investments in greater Indochina, specifically Vietnam, Cambodia, Laos, Myanmar and Yunnan Province of China. A rare opportunity has arisen for two entrepreneurial young professionals to join the investment team. It will suit individuals with outgoing personalities, eager to participate in the growth of the private equity markets in emerging Indochina. Working in a small integrated team, the roles incorporate all aspects of the unlisted equity investment process from identification, analysis, negotiation, structuring and deal management, through investment monitoring and exit management.

Candidate Profile commercially aware Chartered Accountants or MBAs

aged 25-32

Ho Chi Minh City/Bangkok

 experience of corporate finance or venture capital transactions gained in a venture capital house, merchant bank, accountancy firm or a strategic management consultancy

strong financial analysis, computer modelling and communications skills

 mature, gregarious, confident personality Interviews will take place in London. Interested applicants should apply in confidence quoting reference CP/TC to:

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Conditions was have a University or MEA



## **Outstanding Opportunities in Nordic Equity Sales & Research**

£Excellent + Bonus + Benefits

Carnegie is a leading Nordic investment banking and asset management group with strong positions in equity broking in Denmark, Finland, Norway and Sweden, both locally as well as cross-border through offices in London and New York, and is also one of the major bond brokers in Denmark. Carnegie is the leading independent corporate finance advisor in Sweden with growing activity in the other Nordic countries. The asset management and private banking business for selected institutions and private investors currently has SEK 16bn under management. Carnegie employs more than 400 professionals in 9 offices in 7 countries. Singer & Friedlander Group PLC owns 55% of Carnegie, while the remaining 45% is held by Carnegie employees.

After a build-up phase over the past two years involving substantial investment in IT and personnel, Caruegie's Nordic Research Department now comprises 40 financial analysts providing in-depth research of some 300 Nordic companies from blue chips to small caps. Furthermore, in-depth industry research is provided through the sector teams set up to cover 12 major sectors, while a team of five economists offers global and domestic macroeconomic research.

As a consequence of the recent upgrading of our research as well as our London operations we are now looking to recruit the following sales and research professionals:

#### **NORDIC EQUITY SALES - LONDON**

We are seeking experienced equity sales people with good contacts to UK institutional clients as we will be increasing the marketing of our improved and upgraded research product. You should ideally have several years of managers. You should heve first-class communication skills and be able and willing to effectively work independently end in a teem.

#### experience in equity sales and exhibit an indepth knowledge of Nordic equities and companies. You are a proven business winner with a relevant contact base among UK fund

Fluency or proficiency in any one of the Scandinavian languages is en advantage.

#### **NORDIC ANALYSTS - LONDON**

We are seeking Nordic analysts to work in London. You will be our dedicated analyst on a Nordic market, working closely with our local analysts and the cross-border sales people to identify, research and market original and exciting Investment ideas to our international client base. You must be able to demonstrate indepth analytical and high-quality report writing and verbal communication skills. You must be highly motivated and able to work independently and in a team. You are already working in a similar capacity in either London or Scandinavia and have the necessary experience as well as an appropriate educational background.

#### FINANCIAL RESEARCH MODELLING SCANDINAVIA/LONDON

We are looking for e numerate professionel combining in-depth IT knowledge with a strong egulty research interest to work with financial modelling, information and decision support systems for our analysts. You can have either en IT or an equity research background, combining in-depth knowledge and extensive experience in one area with a keen interest and high ambitions in the other. You will, in close cooperation with our analysts and IT people, develop and support relevant decision & information support systems, databases, valuation and other financial models etc.

#### NORDIC RESEARCH EDITORS - LONDON

We are looking for editors to complement our current team of London-based Nordic research editors. You will be instrumental in helping the analysts communicate their investment ideas to investors with clarity and vision. As all our research is currently produced in English the job mostly involves editing, although you will sometimes have to do complete rewrites. Fluency or proficiency in any one of the Scandinavian languages Is a distinct advantage as is journellstic or investment writing experience.

For a confidential discussion and further details on the above sales appointments, please contact Per Munk-Nielsen or Arve Nilsson, Co-Heads of the Nordic sales desk in London, on 0171 216 4082 or 216 4034 or apply with CV to Per Munk-Nielsen/Arve Nilsson. Carnegie, 24 Chiswell Street, London EC1Y 4UE.

For a confidential discussion and further details on the above research appointments please contact: Tommy Erixon, Group Head of Nordic Research, tel. 0171 216 4099 or +46 8-676 8699 or apply with CV to Tommy Erixon, Carnegie, 24 Chiswell Street, London EC1Y 4UE.

HSBC Investment Banking

## International M&A and Corporate Advisory

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The HSBC Group, with headquarters in London, is one of the world's largest banking and financial services organisations, with an international network of more than 3,300 offices. Unrivalled financial resources, global reach and contacts, ensure that the HSBC Group is ideally placed to develop further its pre-eminent

HSBC Investment Banking is responsible for the advice and financing, equity securities, asset management and private banking activities of the HSBC Group. The Corporate Finance and Advisory department encompasses corporate advisory, M&A and International ECM activities. We are now looking to recruit a number of outstanding specialists for our international transaction teams.

This is an exceptional opportunity for individuals to develop further their experieoce across a wide range of international transactions, including the origination, structuring and execution of mergers and acquisitions for quoted and unquoted companies, equity offerings and privatisations.

Successful candidates will be exposed to HSBC Investment Banking's growing international client base, working closely with its industry specialists and network of international offices in 40 countries worldwide.

Candidates of the highest quality are sought:

 Graduates with up to five years Corporate Advisory, M&A or ECM experience gained within a leading financial institution. Exposure to a high profile range of transactions conducted on an international basis is essential.

 Fluency in a European language, in addition to English, is a distinct advantage.

 An excellent academic background and keen intellect. Mature, tenacious and energetic.

 An additional qualification such as an MBA would be advantageous.

 Team players with initiative, creativity and flair together with a high level of motivation and commitment.

Please send a full cv to: Stephen Grant, Morgan McKinley Associates, Ruskin House, 40/41 Museum Street, London WC1A 1LT. Tel: 0171 404 4100 Fax: 0171 404 4334.

# EMERGING MARKETS

Two key roles in Bond Sales and FX Trading to £80.000 + bonus

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The other role is for a foreign exchange trader who has experience of minor currencies, especially of Central and Eastern Europe.

Candidates should be educated to degree level and have three to five years' experience, preferably with some knowledge of German or an Eastern European language.

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Please contact David Little

Fax 0171-626 9400

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#### INSTITUTIONAL EQUITY SALES

The successful candidate will be responsible for providing an Irish equity sales service to our expanding client base. As a member of our equity sales team, the candidate will be required to develop and maintain new client relationships. A good knowledge of investment markets, both domestic and international, combined with proven sales skills are essential for this position. Candidates are likely to have at least three years experience in an institutional sales environment.

#### **EQUITY RESEARCH ANALYST**

The successful candidate will be responsible for providing in-depth fundamental research on a range of poblicly quoted Irish companies. Caodidates will have at least two years investment analysis experience within a stockbroking or fund management environment. They should also have a strong academic record and be able to demonstrate excellent report writing, presentation and marketing skills.

This is an excellent opportunity for experienced professionals to develop a career within the ABN AMRO Securities network. An attractive remuneration package, commensurate with experience, is available for the right individuals.

Please send your CV in strictest confidence to: Bob Aherne, Riada Stockbrokers Ltd, 1 College Green, Dublin 2, Ireland. Fax: 353-1-6709298



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Strategic Research for Equity Derivatives, new idea generation, research and implementation of leading edge valuation techniques and trading strategies. PhD Level Degree with ability of solving partial differential equations by both analytic and numerical methods. Experience essential.

A degree in mathematics and computer science (or electrical engineering). Good knowledge of C++ and a

familiarity with at least one relational database management system, coupled with the knowledge of either Fixed Income or Equity Derivatives. Call Paul Sugarman on 0171 638 8717 or fax 0171 256 8362

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## VITACRESS SALADS LTD

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are market leaders in innovative salads and vegetables supplying the country's leading supermarket chains with top quality produce direct from our farms in Portugal, Kenya, America and the UK with sales of £25,000,000 pa.

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We seek an experienced, highly motivated individual with the energy and commitment to satisfy our very discerning customers and to take sales forward into the next millennium.

The ideal applicant will be aged 30 - 40, will have a proven marketing track record, a flair for food and experience in negotiating with high street supermarkets. Whilst knowledge and experience are fundamental, personality and communication skills will be of equal importance.

Interested candidates should write enclosing a full CV stating current salary details to: Mrs Julia Newman, PA to the Chairman, Vitacress Salads Ltd. Vitacress House, New Farm Road, Alresford, Hampshire SO24 9QH.

## Senior Economist

RTZ-CRA, a world leader in the mining industry, is looking for a commodity specialist to join the Economics Department at its international headquarters in London.

The post involves the economic analysis of a range of minerals and metals with the object of assisting investment decision-making and financial planning. Specifically, it involves detailed eration of prices, production costs, capacity developments, end-use markets and trade flows.



The successful candidate will have a cood first degree, and probably a post-graduate degree, in economics or a related discipline, plus around ten years' relevant work experience. Familiarity with PCs, well-developed analytical skills and a proven ability to produce high quality written work are essential for the role.

An attractive salary and benefits package will be offered, reflecting qualifications and

Applicants should submit a curriculum vitae and covering letter giving details of current salary to Ann Bassett, Staff Manager, RTZ Limits 6 St James's Square, London, SW1Y 4LD.



ARSEANCH EDITORS

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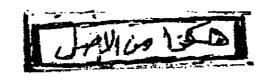
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und steuern diese selbst, um aktiv im internationalen Zinshandel zu agieren. Sie führen selbständig Positionen in allen wichtigen Währungen. Zuverlässigkeit und Routine im Umgang mit modernen Front-Office-Systemen sowie Teamgeist und ein hohes Maß an Kommunikationsfähigkeit sind die Grundvoraussetzungen. Wir erwarten von Ihnen absolute Eigenverantwortung und das Einbringen neuer Ideen. Wir bieten Ihnen die fachliche und persönliche Herausforderung einer reizvollen Tätigkeit mit viel Gestaltungsmöglichkeiten und hervorragenden Perspektiven an einem internationalen Standort unseres Hauses. Die Vergütung ist exzellent und mit einer zusätzlichen attraktiven Leistungskomponente ausgestattet. Mehr zu dieser Position, dem Unternehmen und dem Umfeld sagt Ihnen unser Berater: Rufen Sie Herrn Weber an, Kennziffer FT 6631. Selbstverständlich können Sie ihm auch direkt schreiben; er antwortet Ihnen in wenigen Tagen.

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Excellent package · London

Our client is a leading international investment bank, with a growing strength in the emerging markets of Eastern Europe. As part of the steady expansion of their client franchise in the area, they are now looking for experienced, high-quality professionals to join their investment banking team for the region.

The roles involve the marketing, structuring and execution of the fall range of complex investment banking products, including credit, bonds, equities and financial advisory for both local and western clients. The successful applicants will have a background of at least three years' experience in investment banking in this region with a respected US or European bank, strong technical and communication skills and fluency in at least one relevant language (Russian, Polish, Czech or Hungarian). The business requires excellent judgement, drive and initiative. It will also involve a considerable amount of travel.

Please write with your CV, quoting ref:579, to Alastair Lyon, Confidential Reply Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Applications will only be sent to this client, however please state any company to which your details should not be forwarded.



#### The Ernst & Young ITEM Club, a leading UK and International forecasting group, seeks a Chief Economist

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- The successful candidate will have:
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- Experience of building/running macro economic models
- Excellent communication skills
- High degree of self motivation

Closing date for applications 20th December

Compensation is competitive with full benefits and profit related

Applications in writing together with a CV should be sent to: Mr Marc Hendriks Managing Director Item Club **Becket House** 1 Lambeth Palace Road

On behalf of our client, a leading international consulting firm, which has its headquarters in Zurich and specializes in the planning, design and implementation of water supply and was water engineering projects; we are conducting a search for the following position:

#### **Director of Project Acquisition/ Project Manager**

The staceasful candidate will meet the following criteria:

Engineering sciences (civil, prechanical or electrical) and supplementary business/
management education

Age between 35-87 years

Proven ability to acquire international projects

International project management experience

Excellent written and verbal abilities in the English and French languages: German language skills are also a plus

Examplary professionalism; including confident demeanor, ability to produce desired results, tenacity and commitment to principle responsibilities and willingness to contribute abique average work affort for project success

The primary duties of this pusition include the ability to:

Acquire angineering projects and contrains:

Develop new markets

Develop tiew markets

Initials contact and promote company relationships with potential clients and financing institutions/partners.

Prepare proposes, bids, etc. to compete for projects and secure work contracts.

Conclusional complete international project work.

Conduct and complete international project work
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# **Fixed Income Analyst**

Our client, a major global investment bank, is seeking to recruit an economist / fixed income analyst to be responsible for macroeconomic coverage and political analysis of the Balkan and east European region.

Primarily looking after Bulgaria, Romania and Yugoslavia, you will prepare reports and provide timely updates and investment advice to clients and to the bank's trading, sales and corporate finance units. You will also contribute to the formulation of the bank's central and east European fixed income and equity strategy and asset allocation. Part of your role will involve participating in investment conferences and providing comment on economic and political events to the press and wire services. You will also be expected to develop and maintain a relationship with the Bulgarian monetary and fiscal institutions.

preferably within a leading financial institution. You will have had exposure to the Brady / local currency markets, have a strong understanding of market fundamentals and analytics and will have established a relationship with major institutional clients and the Bulgarian authorities. Excellent communication skills, both written and oral, in English are essential, as is fluency in Bulgarian and Russian. To apply, please send your career and salary details to BNB Response Services,

A graduate in a financial or economics

discipline, you will have at least two years'

experience in fixed income research,

1st Floor, Wellington House, Oucensmere, Slough, Berkshire SLI 1DB Applications are required by Friday 3 January 1997. Please state any companies to whom your CV should not be forwarded and quote reference 220A on your application.

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seeking at least two European economists to look specifically at the German and Italian markets, in order to complement our London-based team of fixed income/currency analysts and economists. The ideal candidate will:

- in a neighbouring country;
- · Have a degree in economics and a minimum of two years' experience in a financial
- Be fluent in English and German or Italian, both written and spoken;
- · Have a strong academic background and computer skills.

Salary will be very competitive and based on relevant experience. Centach Gary Kedney, Stone & McCarthy Research Associates, City Gate House, 39-45 Finsbury Square, London EC2A 1PQ Tel: 0171 638 1804 Fax: 8171 638 1005, email gary@emra.co.uk

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This position offers the right candidate an outstanding career opportunity with excellent prospects for promotion. An attractive remuneration package

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They require individuals who can

meet the challenges shead.

enhance the capabilities of their two teams covering listed interest rate options and listed equity derivatives by introducing client bases which will produce strong revenue streams.

In both cases, candidates will be well educated, have strong marketing capabilities, experience of European markets, and be committed team players. Although the emphasis will be on listed European products, any US or Asian experience would be useful and knowledge of OTC products would be a definite advantage.

These positions offer unique opportunities for dynamic individuals, confident of their own abilities, to widen the services they offer their clients by joining this forward-thinking house, thereby improving their career and remuneration prospects.

Along with competitive basic salaries, our client offers significant bonus potential based on individual

In the first instance, please contac nur designated consultant, Angus Watson of Fleet Banking Search & Selection Ltd, at 117 Newgate Street, London EC1A 7AE. Tel: 0171 600 6500; Fax: 0171 600 6300;

E-mail: fleet@dial.pipex.com

Yamaha Motor Europe N.V. is the headquarters of Yamaha in Europe and is responsible for the European marketing of a wide range of products such as Motorcycles, Scooters, Marine & Water Vehicles and Power Products.

To support the expanding Scooter market, The Marketing Communications Division is looking to strengthen its team by employing a Marketing Communications professional (m/f) for the following position:

## Communications Manager Scooters

Your function. You will be development and implementation of the marketing communications strategy for our Scooter business and new products business in Europe. You will work with the Sales and Marketing Division, the Product Planning Division, Overseas Factories and

European Pistributors.

the production of all (brochures, interactive media, posters, photography, etc.) as well as the development of the POS shop design and

A key element of the job will be the supervision and coordination of the various supporting agencies, as well as control of budgets.

Your profile. You will be a communications professional and have been educated to at least University level (or equivalent) and have had several years experience in the marketing of consumer durables, or on the agency side working on leisure, transport and/or sports related accounts.

You will be a dynamic selfstarter who possesses both an open and creative mind as well as real practical skills. You will also have the desire and ability to work in a multicultural and international

In addition you will either possess some affinity to Scooter products, or will have a very keen interest to learn and become involved in this young leisure and transport world.

The successful candidate will feel comfortable communicating at every level, from project staff to senio management and will also be prepared to travel frequently, primarily throughout Europe. Finally, you will need to have fluent command of the English language and a good

working knowledge of both French and Italian. Your age will preferably be between 28 to 35 years old.

What we offer. Yamaha Motor Europe offers you the challenge to use your existing skills, to develop your experience and to realise your personal goals within a young dynamic and progressive international

An attractive remunerations package awaits the right candidate. If you are interested in this position please write a letter of application enclosing your curriculum vitae (both in English) within 14 days to:

Yamaha Motor Europe N.V. Attn. Mrs. R. van Dommeler Human Resources Divisio (MarCom/ad/Ft. 12/96) P.O. Box 75033 1117 ZN Schiphol Fax 31-20-654-6888

## TOP OPPORTUNITIES IN **BANKING**

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£40,000 to £50,000

Our client a respected and developing European Bank is looking to recruit a Manager to join its small dynamic team who are involved in a wide range of activities. Applicants must be able to demonstrate high level technical skills including financial modelling and have the ability to quickly assimilate new concepts and work in a changing environment. The preferred candidate will be a graduate banker with experience of marketing to corporate clients and have a sound understanding of credit and risk issues.

#### CREDIT ANALYST

£25,000 to £30,000

An outstanding opportunity to significantly progress your career working in a challenging and rewarding environment with our prestigious client. The role will involve a broad range of duties including all aspects of credit and marketing support, to develop relationships with existing and potential to porate cleads. The successful applicant will most likely have completed a bank graduate training programme and possess strong interpersonal and communication skills.

For further details please contact or forward your CV, to Peter Brooker, Associate Director.



# **Compliance Officer**

#### **Investment Advisory Firm**

Excellent Package

Our client is a prestigious London-based investment advisory partnership with over \$18 billion under management for clients around the world. The firm engages exclusively in international/global active quantitative asset management, utilising sophisticated investment techniques to manage an array of value-added currency, fixed income, and equity strategies. The ownership structure and capital backing enables the creation of an independent, entrepresential atmosphere

An experienced compliance professional is now sought to work closely with senior management to ensure that current and future products, procedures and operations are fully compliant with all regulatory requirements.

Reporting to the Managing Director, the successful candidate will provide innovative practical solutions to complex compliance issues that still allow for commercial success. Liaising closely with regulators to maintain the highest possible awareness of current and future regulations, the individual will develop and implement

providing expert advice to all areas of the business. Awareness of new product development and proactive advice on regulatory issues would also be required.

Most likely a graduate, the successful candidate will have a proven track record in compliance on a global basis. The individual must be articulate with the ability to interpret and explain complex rules unambiguously at all levels of the business and be familiar with a range of regulatory rules and issues as well as investment products. Strong relationship building skills, a confident and assertive manner and a positive 'hands-on' approach are Imperative.

This appointment represents an outstanding opportunity for an enthusiastic, focused individual who is capable of taking a broad overview and is keen to play a major part in a dynamic and growing organisation.

To apply, please forward your CV, including salary details, to our advising consultant at Harvey Nash Pic, 13 Bruton Street, London WTX 7AH. (Tel: 0171 333 0033, Fax: 0171 333 0032.) Please quote reference number HNF166FT. You may also apply via http://taps.com/Harvey\_Nash

HARVEY NASH PLC



## Analyst looking for first career move?

Colonial is a successful international financial services organisation. In the process of demutualising, with UK funds under management of £4 billion and £16.5 billion worldwide. In the UK. Colonial has a successful investment track record and has won 27 Micropal awards. The Group has recently acquired CIM Fund Managers and is seeking further substantial growth in 1997.

As part of the planned expansion of the lovestment business a further Anniyst is required to join the UK Equities ream. The Analyst will be expected to become the point of reference for his/her area of expertise for the entire division. There is ample scope for progression either within the UK or overseas. and positive encouragement for continuing professional development. We are looking for:

- · Enthusiasm and the ability to work independently within a team environment.
- · Commitment to making the husiness a continuing success. Graduatus with good degrees, numerate, Excel literate, with an IMC qualification
- or working towards it. Excellent analytical and communications skills.

Please write 10 Wendy Gannaway/HR Planning stating your current remuneration package, brief personal and career history and how you meet our requirements. The closing date for

Colonial

application is 13th December. Colonial Colonial Muiual House, Quayelde, Chatham Murhime, Kent ME4 4YY.

# **Insurance Tax Specialists**

## Senior/Executive Managers

London & Edinburgh -- £50,000-£80,000 depending on experience and location

Emst & Young is one of the world's leading professional services organisations. We have the world's largest tax consultancy and the second largest tax practice in the UK.

Our insurance tax team offers expert insurance tax advice to a wide range of blue chip cliants throughout the UK. It now has opportunities for two insurance tax professionals, one based in London and one in Edinburgh.

As a Senior Manager/Executive Manager you will:

- Have at least two years' experience of life insurance taxation in either professional practice or industry
- Be a highly competent professional who is both skilled in life insurance tax and aware of the wider tax background against which insurance companies operate.
- Be able to relate technical tax issues to clients' business environment and needs in a proactive way.
- Possess the necessary skills to manage and develop good relationships with clients and others within the firm.

In exchange, Ernst & Young commit to providing you with:

- Significant responsibility for developing an excellent existing client portfolio;
- A dynamic and friendly team environment;
- Close working relationships both within Emst & Young's Financial Services Group and with other parts of our large international
- Support and encouragement in developing a significant profile outside the firm;
- For the right candidates, there are also partnership opportunities.

If you are interested in joining us, please send your CV and current remuneration details to:

Sophie Hatton, National Recruitment Department, Ernst & Young, Rolls House, 7 Rolls Bulldings, Fatter Lane, Landon EC4A 1NH.

**ERNST & YOUNG** 

#### **FUND MANAGER** Glasgow Based



Murray Johnstone, one of Scotland's leading international investment management companies, wishes to recruit a Smaller Companies Fund Manager.

With funds under management in excess of £4bn and offices in the UK, USA and Singapore, Murray Johnstone offers a wide range of fund management services to investment and unit trust, institutional, charity and private dients.

We are seeking someone with company analysis experience and who is likely to have had portfolio management responsibility particularly in UK Smaller Companies, to join our UK Investment team. You will be responsible for research and analysis in this increasingly important area of our business reporting to the Smaller Companies Manager.

It is likely you will be a graduate with a minimum of four years UK investment experience, two years of which will have been in the smaller companies sector, and possess full IIMR or equivalent. Experience of managing funds and dient presentations will be advantageous. Demonstrable success is essential as is the ability to communicate at all levels, both Internally and externally.

The salary and benefits package will reflect the importance of this role.

Please apply in writing with full CV to Douglas Corner, Head of Human Resources.

**Murray Johnstone Limited** 7 West Nile Street Glasgow G1 2PX Regulated by IMRO

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Dominic Knowlson

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CAREER OPPORTUNITY IN KUWAIT

Alghanim Industries, the largest privately owned group of companies in Kuwait with interests in ovar 20 businesses, and a multinational workforce of opproximately 3000 has an opening for:

#### Controller - Automotive Group

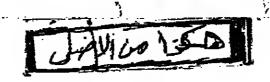
Reporting to the Corporate Controller, you will be responsible for internal control, financial accounting, improvement in working capitol management and cost efficiency, business analysis, management information and planning support and efficient utilization of computer systems. You will also be support and emicient utilization of computer systems, you will also be responsible for profit maximization through effective cost control and by lallowing up on the implementation of action plans in strategic areas oimed at achieving the group's objectives in automotive sales, service and rental businesses. A proven track record of ochievements in these functions is a must. Vou should also be able to work in multi-national environment and handle multiple assignments. Excellent communication skills, and the ability to effectively deal with various levels of managements in the argonization are

You should be capable of promotion to the Corporate Controller position and have the ability to manage the financa control function of over 20 businesses in trading, manufacturing, contracting and services area.

You are a C.P.A. C.A. or Cost and Management Accountant, preterably complemented with an MBA, 35 to 40 years old with at least 1D years post qualification relevant financial experience in automotive sales, services, parts and car rental business.

We are offering a very compatitive tax free axpatriate salary and benefits which include performance related bonus, generous housing allowance, life and medical insurance, paid holidays, airfares and car allowance. If you match the requirements for this challenging position, please fax or E-Mail your datailed CV. In confidence to:

Director of Human Resources Fax No. (00965) 4847244, E-Mail: suhail@aighanim.com



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Marketing and Sales Manager - Uzbekistan Senior Position **Excellent Package** 

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TANKS IN BELLEVILLE

Our client is a household name in soft drinks, committed to building company performance by aggressively developing new emerging markets. As head of Sales and Marketing for our Uzbek JV, your role will be to define and implement an effective sales and marketing strategy for the company, to build new business and promote new products and brands and to travel within Uzbekistan to support regional operations.

This senior position is suitable for candidates who have a proven track record in managing the marketing and sales function in a large company, with a very strong preference for candidates with soft drinks experience. A good level of spoken Russian preferable but not essential.

Please forward a full resumé with covering letter to AC & Partners, Recruitment Consultants, 22 Avenue Eugène Plasky, 1030 Brussels, Belgium. Tel: +322 732 26 40 Fax: +322 732 26 46. All applications will remain strictly confidential.

ACP RECRUITMENT CONSULTANTS

#### **CUSTOMER LIAISON OFFICER**

Precious Metals – £32k

esponsible for marketing precious metals but perticular emphasis on London, Hong Kong and Australia, you'll need over 10 years experience in the bullion market together with a proven ability to identify and develop a rtfolio of customers that will complement our client base. Experience in new product development and in more than one bullion trading time zone would be advantageous. You should possess a degree in marketing, have a thorough knowledge of spot, futures and options markets and be SFA registered.

Please reply to PO Box A5939. The Financial Times, I Southwark Bridge, London SE1 9HL.

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#### CONVERTIBLE BOND ANALYST - LONDON

An exceptional opportunity for an amibitious nomerate graduate within a major global investment back. An exciting environment in which to work and learn.

#### THE PERSON

- · Bright and energetic individual, with an established interest in the equities derivatives markets
- Good first degree, an inquisitive mind and possibly an MBA
- Minimum of 6 months experience in equities, fixed income, forex, or credit areas and some knowledge of convertibles
- A strong IT orientation with experience of Microsoft Office products.

- Part of a small global convertible research team analysing, preparing and presenting con
- Valuation, spreadsheet work and writing research whilst working on a sales trading desk Opportunity to progress rapidly within dynamic and motivated new team
- Very competitive remuneration package

Please reply enclosing your CV to Miranda Whitamore or Mark Horlock



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**ACCOUNTANCY APPOINTMENTS** 

# MIS Manager

## Asset Management

**Excellent Package** 

City

Exceptional opportunity for highly talented professional to apply and manage investment administration MIS process of this major UK asset management company. THE COMPANY

- Investment management arm of prestigious UK banking group. Ambitious growth plans.

  Funds of £30 billion under management.
- Extensive range of clients worldwide.

  Strong management team committed to developing and maintaining integrity of
- THE POSITION New role, primarily reaponable for the development and implementation of investment administration MIS process.
- Work closely with operational staff, fund managers and regulatory authorities to ensure high quality standards are enhanced and
- Manage team, develop cost effective and innovative MIS systems to support continuous QUALIFICATIONS
- Minimum five years' experience in accurities industry. Familiarity with investment management administration essential.
- First class analytical and commercial experience.
   ACA/ACCA qualified. PC and systems literate. Excellent manager, able to motivate and lead team. Succinct communicator with atrong presentation skills.

Please send full cv, stating salary, ref FS61206, to NBS, 10 Arthur Street, London EC4R 9AY



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# **Management Reporting Project Manager**

**Premier Treasury Group** 

To £45,000 + Benefits

London

Exciting opportunity to join innovative management information analysis and reporting team. High profile role working with dealers, risk and semor management on redesigning management information systems.

#### THE COMPANY

- ◆ Established reputable UK banking group with market capitalisation in excess of €9 billion. Extensive treasury operation handling diverse range of products and services.
- THE POSITION Monager in MIS team, leading design and development of replacement management
- An innovative approach to cohuncing work methods. Liaison with traders, risk managers, IT and senior management negotiating design requirements and implementing solutions.
- QUALIFICATIONS
- Qualified Accountant with a strong ocademic record and numerate degree.
- Minimum of three years' banking experience. Exposure to large systems implementation from business perspective.
   Able to respond to present and future management
- information requirements.

  Strong communicator with fiair to drive change to
- enhance service/efficiency. Credible at senior level.

Please send full cv, stating salary, ref FS61208, to NBS, If Arthur Street, London EC4R 9AY



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#### DEPUTY FINANCE DIRECTOR

MAJOR FTSE COMPANY

C. \$120,000 + BENEFITS

## NORTH

- Well known plc with significant growth plans.
- A Deputy Finance Director will take responsibility for the day-to-day financial affairs of the business, including financial control, management accounting, tax, treasury and internal oudit.

wappy in writing quoting reference 1209
with full career and alloy desills to:
Kusic Adler
Whitechead Scientine Limited
11 Hill Street, London Wilk SBS
Tel: 01"1 290 2045

- This position should lead to o board appointment in two to three years.
- Candidates, probably aged 35-45, must have a strong track record of success in a control or divisional finance function of a major and well respected business, most likely as financial controller.
- Alternatively candidates may be partners in one of the major accounting firms in the UK.
- Candidates must be strong commercially. with first class influencing and communication skills.

Whitehead SELECTION

#### FINANCIAL DIRECTOR

ELECTRONICS MANUFACTURING

#### THAMES VALLEY

- C. \$55,000 + BONUS + BENEFITS
- £30 million turnover division of a quoted UK based electronics group, manufacturing at several locations in this country, plus sales and service businesses world-wide.
- Part of a close-knit management team, the Financial Director will share responsibility for all aspects of the business world-wide with perticular emphasis on financial matters, and will play a positive, active role to ensure the achievement of business and financial goals.
- In addition to routine accountabilities, he/she will provide considerable support to the Managing Director as regards strategi planning, acquisitions, disposals and other major investment related decisions,
- Qualified accountant in their thirties,
- possibly MBA, with in-depth manufacturing sector experience galoed in a large international group. Must be familiar with sophisticated costing techniques, including for new product development.
- · Resilient, persuasive team player with sound management and business judgement, excellent communication skills and an analytical approach. Exposure to working overseas, in particular in the US, would be especially advantageous.
- This is a first class opportunity for a highly committed Financial Director, capable of playing o full part in the running of an international business. Scope for subsequ progression into general manage

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## MHITBREAD RESTAURANTS & LEISURE

**Beefeater** 





## Finance Manager - Germany

Luton/Germany - £40/50,000 + bonus + car

- Whitbread Restaurants and Leisure, a division of Whitbread PLC, has a tumover in excess of £1.2 billion derived from managing the group's branded restaurants, shops and hotels in the UK
- The acquisition of Costa Coffee, David Lloyd Leisure, Scott's Hospitality and the Pelican Group within the last two years demonstrates the importance of the division and the commitment of the group to continue to invest substantially in
- The division already has a well established operation in Germany with over eighty restaurants and is now in the process of developing further businesses there from its hospitality portfolio. Reporting to the Divisional Financial
- Controller, this individual will initially undertake a project oriented role split between the UK and Germany, encompassing such tasks as site appraisal, the financial management of development projects, establishing appropriate finance systems and acting as a close link

between the German business and the UK Head Office in Luton. It is anticipated that this role will then develop into a line position in Germany for the new business within twelve months

- Candidates should be either qualified accountants or MBA's who are fluent German speakers and ideally have already lived overseas. It is essential that the individual can demonstrate e commercial bias to date through investment appraisal, project management, or as a member of a management team, rather than operating in e purely financial role.
- The future development plans of the group are such as to be able to offer further care opportunities to a high calibre individual, both in Germany and the UK.

Please send your curriculum vitae with current salary details and an explanation of how you meet these requirements to Carrie Andrews, Ernst & Young Menagement Resourcing. Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference CA0076. Fax number +44 (0) 171 931 1022.

report-writing skills

Your Rewards

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## **型 Ernst & Young**

The United Kingdom firm of Ernst & Young is a member of Ernst & Young International

## **Internal Auditor - Europe**

Delphi

Automotive Systems is

the largest

supplier to the Automotive Industry -

17 Tachnical Centres, 170,000 employees

operating at 190 locations

in 31 countries throughout the world.

Due to our continued growth in Europe, we have an immediate

opening in our Technical Centre in Luxembourg.

The successful candidate will play a key role in co-ordinating the internal controls for Harrison Thermal Systems Division in Europe, across 4 locations (in France, Italy and Poland). Your responsibilities will include:

Co-ordination of internal controls in each

The Position

- location according to corporate audit requirements and procedures Assuring effective communications with the
- corporate and Delphi Harrision HO audit Reporting to the European Financial Manager and to the Audit Manager located in our US divisional HQ

#### Your Profile

We are looking for a university graduate with the following qualifications: A recognised audit qualification

- Preferably, at least, 5 years' experience in an audit firm Mature personality with excellent
- multi-cultural environment
- communication skills
- · PC literacy (Word and Excel)

- Basic knowledge of data-processing systems
- Ambition to succeed in an international
- DELPHI

SIMPLIFY!

Advanced command of English and strong

Other European languages would be an advantage (with a preference for French,

A willingness to travel 50% of the time

The contribution you make will be rewarded

with international career prospects and

outstanding developmental opportunities. A

competitive salary is matched by the benefits

Send your CV, within 10 days, with details

of current salary, to Yvorme O' Reilly, DELPHI Technical Centre, HR Dept., Are de Luxembourg, L-4940 Bescherage, Luxembourg or use fex no. +352 5018 256.

Please quote ref. 96/106. All applications

will be treated in the strictest confidence.

Italian, Polish and/or Russian)

expected of a world-class company.

## VP Finance - Middle East and Africa

- Cairo based
- Attractive salary and benefits

Our client is synonymous with the best in world-class hotel-keeping and operates more than 160 hotels in almost 50 countries. Their aim is to continue to expand globally in city centre locations, at international airports and in prime resorts identified as key to its customers.

Reporting to the Managing Director for the region on a day to day basis and functionally to the Finance Director in UK, your remit will include overall financial management throughout the region comprising 25 hotels with a turnover of £150m in 1995. You will also he responsible for evaluating performance and capital expenditure proposals and monitoring return on investments as well as having an involvement with new contract negotiations and development opportunities and setting financial control

standards throughout the department and the region's hotels.

Candidates will be chartered accountants or equivalent, aged early 30's to mid 40's, with fluency in English. A knowledge of Arabic will be a distinct advantage. Ideally from a hotel, travel or service industry background, you will have ample experience of working in the Middle East and elsewhere. You will also have high professional standards, presence and confidence, with strong communication and interpersonal skills. In return the position offers an attractive salary and benefits package and longer term. excellent career prospects in the group.

Interested candidates are requested to send comprehensive CV's and salary details, quoting reference F0512 to Tony Saw at KPMG Selection & Search, 1-2 Dorset Rise, Blackfriars, London EC4Y 8AE.

KPMG Selection & Search

## GROUP FINANCE DIRECTOR

A new opportunity in ambitious world leading organisation

#### **North West**

#### c £55,000 + Bonus + Car

Our client has grown dramatically through the pursuit of a highly focused strategy of acquiring and integrating acknowledged industry leaders. They are a leading global provider of industrial and commercial water and wastewater treatment systems and services. They have a total commitment to excellence and a culture which is unstructured, innovative, shirt-eleeves and

#### THE POSITION

- Reporting to the Vice President of the Company's \$200 million European Group, with a dotted line to the
- European Vice President, Finance. Full functional responsibility for all financial matters, including reporting requirements for the US parent, divisional management accounting, budgets, forecasts and
- Significant strategic exposure, playing a pivotal role in the management of a complex, highly cost and marginsensitive business, at a time of considerable change.
- A highly influential and prominent role in a young exciting and rapidly expanding business.

#### QUALIFICATIONS

- Qualified accountant, preferably ACA, aged at least 30 with strong technical ability coupled with a high degree
- of business acumen. Strong operational and strategic intellect, along with the energy and drive to make things happen-
- Well developed management skills, with the ability to motivate and develop individuals and establish excellent lines of communication across all levels of a global
- Experience of international cultural and business is and a second language would be particularly

Interested candidates should write, enclosing full career and current salary details, to the advising consultant, Stephen Banks, at Questor International Limited, 3 Burlington Gardens, London W1X 1LE. Please quote reference 2117.



QUESTOR INTERNATIONAL

Supporting the European Group FD and board members by providing a first-class budgeting, forecasting and performance review service with responsibility for controlling the financial performance of the business.

To £65,000 package

+ benefits

- Developing management reporting systems to support the growth and development of the business, working alongside Country Controllers to ensure tight and well-disciplined planning and management reporting focused on the needs of
- Analysing and assessing corporate development opportunities, including acquisitions, and progressively undertaking strategic reviews of operating company performance.

Leeds 0113 230 7774

London 0171 298 3333 Manchester 0161 499 1700

THE QUALIFICATIONS Ambitious and proactive qualified Accountant, aged early 30s+ with excellent financial analysis. costing and management reporting skills gained in a fast-moving American manufacturing business. Prior line experience highly

- Perceptive analyst with strong commercial orientation. Dedicated team player with drive and energy, willing to use mitiative.
- Adept communicator and negotialor, able to motivate and challenge peer group. Effective and confident at board level and capable of progressing into a senior line role in due course.

Controller - Planning & Analysis

Internal promotion has created an opportunity for a high calibre, commercially minded Finance Manager within the recently relocated European head office of Berg Electronics, an \$800 million

turnover corporation, a major manufacturer of electronic connectors and related assemblies supplied

to major computing and telecom OEMs.

Selector Europe Spencer Stuart

## **HEAD OF FINANCE & ADMINISTRATION**

East of London

c.£45,000 + car

professionally qualified and IT literate, with strong

financial management and administrative skills

· fluent in French, spoken and written, preferably with

good negotiator, adaptable, shrewd and diplomatic.

skilled in budgeting, forecasting, cost control,

hands-on team leader and player with proven

and broad management experience

work experience in a French culture

international outlook

This challenging career opportunity is within the UK subsidiary of a long-established European group, which is an acknowledged market leader enjoying an enviable reputation for innovation and product quality. You will be responsible to the International Controller, based on the Continent, for the management of the UK finance, HR. IT, secretariat and administrative functions.

The person

#### The role

- contribute significantly to the development and implementation of strategies, plans and tactics to optimise growth and profitability
- plans and budgets; provide succinct, pertinent spearhead, foster and ancourage the development

produce, monitor and control short- and longer-term

- of a co-operative, homogeneous inlamational group
- continually develop and enhance management information and control systems and services.

Please send full cv to Mike Stockford, Executive Search and Selection, Ref. 10702/MS/FT, PA Consulting Group, 123 Buckingham Palace Road, London SW1W 9SR.

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## Business Controller Hi-Tech

#### to £40,000 + CAR BUCKINGHAMSHIRE

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Have do you control a business which it growing as 25% per year, in a market when demand it growing even faster?

With revenues approaching £400m, this compainty experiences just that and is still able to talisty the demand in terms of sexpell and development of new products, influenceding outling in their consideration to ingles and tagter levels of control of the service quality. Their control of the service and tagter levels of the service and tagter levels of control of the service and tagter levels of the service and tagter levels of the service and tagter levels of the service and tagter levels of the service and tagter levels of the service and tagter levels of the service and tagter levels of the service and tagter levels of the service and tagter levels of the service and tagter levels of the service and tagter levels of the service and tagter levels of the service and tagter levels of the service and tagter levels of the service and tagter levels of the service and tagter levels of the service and tagter levels of the service and tagter levels of the s

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the information requirements of Sales Groups, on revenues, margins and expenses, to develop key performance. indicators by product, channel, and country and. communicate at all levels. In short, be a full business partner to the Sales organisation.

A qualified accountant, with at least 5 years financial analysis exposure in a Sales and Marketing environment, you will possess the strength of character to introduce tight cost control quickly, and to use your business acumen. effectively in making a full contribution to the commercial success of the organisation. Your drive and positive attitude, coupled with attention to detail in a fast moving . environment will soon be appreciated by your colleagues in the Sales function.

Interested candidates should write promptly to Mark Rowley at: Herst Austin Rowley.

30 St. George Street, HERST AUSTIN London WIR 9FA, enclosing a full Curriculum
Witner morning ref HAR767.
Witner morning ref HAR767. Vitae quoting ref HAR767. Fax: 0171 409 7872.

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Part of the Harrison Willis Group

# TORONO MADRID-PARIS PHILADELPHIA WARSAW (INAC)

## Systems Accounting Manager

From £35,000 + benefits

A leading international energy business, our client has a vacancy for a system accounting manager to head its development accounting team.

This is a senior role, responsible for managing and facilitating the provision maintenance and development of core financial systems throughout the business. It will involve working in partnership with IS service providers and monitoring services provided for efficiency and effectiveness, in line with the business need. Supporting the finance teams within each of the individual business streams, you will develop their use of the accounting systems and applications providing a customer focused approach. You will promote best practice and ensure effective utilisation of the system to meet business goals, which will include providing user

Our client will look to you to manage the implementation of upgrades, changes and new implementations to their core financial systems. You will keep up-todate with developments in accounting systems, policies and relevant IS areas in

RECRUITMENT ADVERTISING

placed to take advantage of new developments that would add value to the business process. A qualified accountant, with a thorough

order to ensure that all financial systems

meet the business needs and will be best

knowledge of UOLAS or a similar accounting package, you will have at least two years' experience in managing the provision of accounting systems and possess excellent interpersonal and communication skills. You will have demonstrated effective teamworking, customer focused support as well as contract and project management. Experience of oil and gas accounting in an international plc would be a distinct advantage. In return, our client can offer excellent opportunities and scope for development within the company.

To apply, please write with your CV, to BNB Response Services, 1st Floor, Wellington House, Queensmere, Slough, Berkshire SL1 1DB, quoting refere 254A. Closing date: 16 December 1996.

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Major Investment Management Group

Financial Management Opportunities

Excellent Remuneration Packages

This providence is management business is seen as an interior not both a well-known global financial services enough it was parasecutly demanstrated an enviable track resid in fernacol its growth of funds under management of seel as propagate high returns for its investors using many example and importive products. The business is the second of the product of the content position in the management of the product of the content position in the management of the product of the content position in the product of the product of the content position in the product of the product of the content position in the product of the product o

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Internal Control Manager (Ref. HARGEL)

This is a critical and high profile role within the Graup and first description are position that offers a range of consultancy services to the division. Specific areas of responsibility include ensuring and demonstrating a sound control any interment and input into a range of system development projects. Reporting to the Financial Direction and leading a small professional team, you must ensure that your reason is small by developed to undertake a range of projects covering the entire investment portfolios and prioritise your work programme, based on the potential risk of the coming year. Coupled with your technical expertise, you will possess drive and commitment and the ability to work to high standards in a demanding yet revarding entire. ability to work to high standards in a demanding yet rewarding culture.

Progress in both roles will be limited only by your ability and drive. You will be suitably qualified having graduated and trained in a quality firm and be conversant with a range of accounting software packages in your present role. Both positions require a high level of intellect combined with a strong sense of commercial and enterpreneurial business flair and excellent

interpersonal skills. Interested candidates should write to Mark Rowley or Charles Austin at: Herst Austin Rowley, 30 St. George Street, London W1R 9FA, enclosing a full Curriculum Vitae and quoting the respective reference.Fax: 0171 409 7872.
Email: bar@globalnet.co.nk.

HERST AUSTIN ROWLEY

CALORAN CICEON LONDON MADRID PARIS - PHILADELPHIA - WARSAW (HN ACC

**HINANCE DES** 

This young, high profile and dynamic City-based law firm has grown dramatically since its inception and is now recognised as a leading firm in its areas of expertise. It has a superb reputation for its competioveness, focus, and the ability to deliver creative quality solutions to its clients.

The partnership seeks a Finance Director who will become part of a highly focused senior management team, and give the Partners strategic guidance and practical support to further improve the overall performance and profitability of the business.

The successful candidate will take an active part not only in developing and executing financial strategy, but in day to day management of the firm.

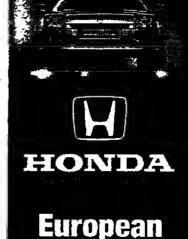
In order to establish yourself in this role, you will need a robust, mature approach, and an authoritative and persuasive style. You should be a graduate

#### c. £120,000

chartered accountant, able to demonstrate an exceptional track record, in a blue-chip service organisation. You should also have wide experience of both instigating and managing change. Strong communication skills, an understanding of working in a professional partnership and the ability to earn and retain the respect of both partners and staff

If you are equal to this demanding role, please send a CV, together with your current salary package quoting reference 3940 to Bruce McKay, Deloitte & Touche Consulting Group, Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Deloitte & Touche Consulting



Accountant

£35-38,000 package

Berkshire

Honda is a name synonymous with quality and innovation. The European Head Office based in Reading is responsible for the strategic planning, co-ordination and support for the 23 European subsidiaries.

working closely with the Managers in each country the role is key within the organisation. Specifically you will be responsible for: Analysing and reporting to senior

Reporting to Senior Executives and

management on all European financial Creating and driving forward a project to reduce monthly reporting deadlines

from 15 to 10 days. This will involve troubleshooting within Europe. Assisting with the implementation of a new bespoke finance system throughout ell European subsidiaries and providing post-implementation support to users. Providing assistance to subsidieries

on all finance issues. The role, out of necessity, will involve an element of foreign travel.

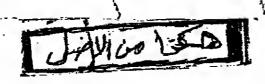
A qualified accountant (late 20'5+), you will possess financial and commercial experience gained in industry. Ideally, this will include multi-currency accounting. consolidations and financial analysis experience. In addition, system skills and previous international exposure

would be an advantage. As this is a wide ranging role within a pan-European organisation, individuals must be sensitive to different cultures and have superior communication and inter-personal skills.

You will need tenacity and drive; the ability to work under your own initiative is a pre-requisite. Candidates must be able to contribute within a lively team of multi-national professionals, steering change with tact and diplomacy. This role represents a unique opportunity to shoulder a truly pan-European brief.

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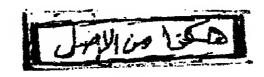
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Analysis





EXECUTIVE SEARCH & SELECTION

# Group Financial Controller

In a new era of change, shape the future c.£60,000 + car + benefits London

#### About Us

A diversified and international UK group, focusing mainly in the engineering and services sectors with an annual turnover of some £1 billion.

Developments are planned within the group: to streamline operations, increase profitability and focus on our core business areas. The Group Finance function will play an integral and leading role in this process.

#### The Role

This is a new position for a tenacious and ambitious individual to help advance the Group Finance function through a time of change.

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#### What we are looking for

A qualified accountant (ACA, ACCA or CIMA) and proven financial manager. You must have experience of establishing and cohancing internal financial control procedures and systems; including creating Group accounting manuals. Other prerequisites include experience of statutory and computerised accounts.

Ideally your experience will have been gained in an international, diversified engineering or services organisation. Involvement at the Group level will be a distinct advantage, however we will also consider Finance Controllers or Directors who have operated within large subsidiaries.

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write to our advising consultant, Gavin Burgese, enclosing a detailed CV and quoting reference F/1707. Alternatively, you can telephone him on 0171 939 3446 for an informal and confidential discussion.

Executive Search & Selection, Price Waterhouse Management Consulting Ltd. Southwark Towers, 32 London Bridge Street, London SE1 9SY.

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You will need to be a chartered accountant with upwards of one year of experience in IT audit including application system reviews, risk-based audit work and ideally some knowledge of investment banking.

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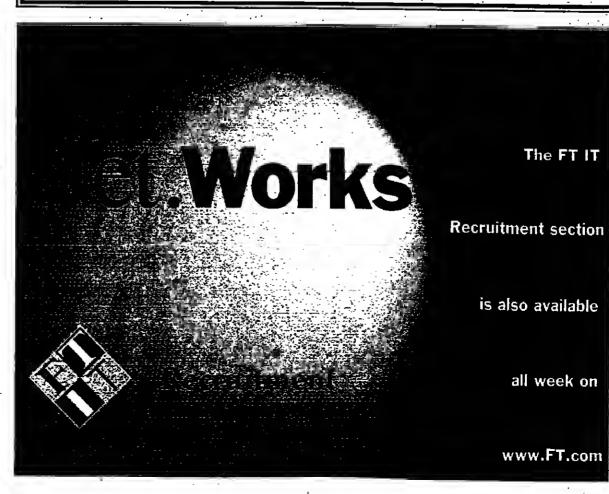
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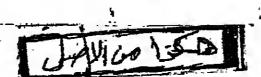
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# TURKEY: INVESTMENT AND FINANCE

# Set on the east-west divide

The EU customs union is opening Turkey's first Islamist prime minister to a broader world, writes John Barham

Turkey has always we end this nightmare." struggled with an identity crisis. It faces both east and west. It is torn between the archaic and the modern. Two events this year have deepenad this

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F-AREST AND MARKET

The FT

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In January, the customs union with the European Union came into force, track we will not have adeessentially making Turkey part of the single European market, linking it more firmly to the west and exposing it to the full force of international capitalism.

Then in July, Mr Necmettin Erbakan took power as modern Turkey's first Islamist prims minister. Although he has not tried dismantling the secular state, his rise is proof that a growing number of Turks reject the established political system and fear an increasingly internationalised economy,

In a sense, it scarcely matters who runs Turkey. Conservatives, socialists and now Islamists have all had their turn over the years and all have shown they are as incompetent as each other.

Their ineptitude is reflected in chronic inflation, rising unemployment, deepening inequality and low education standards.

Big business has bad enough. Mr Halis Komili the head of Tustad, the employers' association, says: "What we want are sweeping changes in the country's politics. We need deep-rooted changes to be able to wake up from this nightmare.

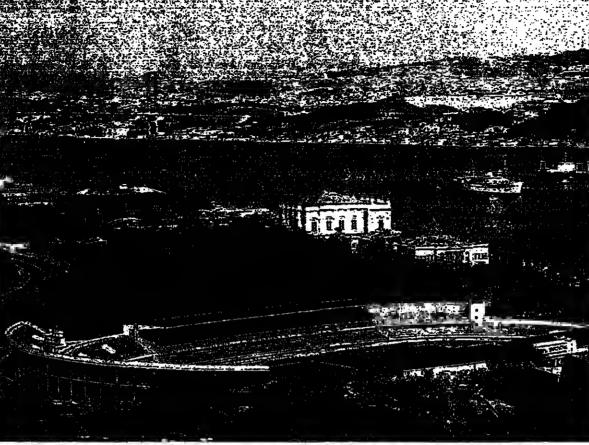
Mr Erol Sabanci, a mem-ber of one of Turkey's wealthiest industrial families, warns "income distribution is getting out of balance. Inflation, which brings social unrest, is stuck at 80-85 per cent a year. If the economy is not on the right quate achools, hospitals. roads, harbours. I like to live in a country where inflation is low, where [there is] security, so distribution of waalth should ba more

Their pessimism is surprising. Turkey is enjoying its second year of strong investment-led expansion, Akbank, Turkey's biggest private bank which Mr Sabanci owns and runs, is raking in big profits. Besides, the private sector is healthy. It is the sickly public sector that

favourabla. But it is getting

is holding Turkey back. Yet as an Istanbul banker says: "It is an illusion to say [the public sector's problems will not affect my business. Until there is action on reform there is a limit to the deals you can do."

Volatility, political uncertainty and high interest rates stunt growth and investment. Turkey's investment rate has averaged 25 per cent of GDP over the last ten years, similar to many developing countries, but much less than Asia's Tiger economies which Turkey must compete with. Furthermore, inward investment Only by society participating has rarely exceeded \$1bn a in the political process can year, small change by inter-



The Bosporus: the waterway separating the Turkey of Europe from the east; and the channel to the central Asian republics

national standards.

Mr Cem Duma, a former top diplomat turned business lobbyist says: "Turkey gives the impression of a country less and less able to solve its problems, in foreign policy, domestic politics or the economy. Customs union alone is insufficient to bring a quantum increase of capital

Growth has averaged just

4 per cent between 1990-95, a. mediocre performance given population growth of just under 2 per cent. Public finances are collapsing - interest payments on the government's debts will probably consume nearly two thirds of revenues next year - and with them the state's ability to provide basic services. Blackouts have become a feature of daily life. On another level, schools provide pupils with little more than basic literacy and numeracy.

The economy is not creat-

ing enough jobs - urban ing after a car crashed last ployment is worsening. particularly among tha young. Society is becoming divided between haves and have-nots and between secularists and Islamists.

Mr Selim Oktar, general manager of Strateji-MORI, a to hide his friendship with polling company, worries about deteriorating social trends. He says alienation is growing, and with it an appetite for radical politics. He reckons that about 40

per cent of the population bas Islamist values (although Mr Erbakan's most daunting problems. Refah party does not win all their votes). Sympathy for political Islam rises as the quality of education declines, wages fail to keep up with inflation and disgust at the decadence of the corrupt secular state deepens. . a

Disturbing evidence of links between government informal sector gives trepoliticians, the security establishment and right- it to ride out a deep reces-

little social trauma. Depressing official statismonth carrying a wanted underworld leader, a police tics on wages, employment, chief and an MP from the investment, productivity,

are misleading. Turkey is the governing coalition's not a wealthy country, but junior partner. Only the MP survived. He made no effort neither is it a basket case. International companies the gangster. He told a TV cannot afford to ignore Turinterviewer: "I lovad him key. Most of the world's mulliks a big brother." tinationals already have a presence. It has a young,

even the balance of trade.

urbanising population of

over 60m. Five Asian car

Penetration rates for con-

the next ten years.

It is very easy to get carried away with bad news in Turkay. Yat the country's resilience is almost miracumakers are either planning lous, muddling through the or already building factories in Turkey. Carrefour, the Businessmen shrug at warn-French retail giant, plans to ings of an impending balopen 42 hypermarkets over ance of payments crisis, a financial market collapse or a surge of inflation as the sumer products ranging government liquidates its from credit cards or washing mountain of local debt with

centre-right True Path party,

machines are well below burst of monetisation. European levels, indicating Turkey's large, growing great potential demand. It is located at the crossroads of Europe, the Middle East and mendous flexibility, enabling

think Turkey's chronic political instability will soon be a thing of the past. Mr Mehmet Kutman, chairman of Global securities a big Istanbul brokerage, says "the political situation is better now. At least now we have a

regional financial centre.

And there are those who

government and a party which needs to prove itself. Unless Erbakan moves to the centre-right he cannot increase his share of votes. I do not believe they are looking to change the country. There is no threat to secularism under Refah."

He claims Turkey's high real interest rates will fall as political risk declines, sustaining this year's investment-led growth.

Crucially, Refab has done nothing to sever ties with the west or scrap the customs union, although it attacked the EU as a "Christian club" whila in opposition and promised to set up a competing Islamic common market. The union, allowing industrial goods to pass freely between Turkey and the EU, is likely to prove a potent force for modernisation. It fully opens Turkey's home markets to international competition. Companies will either have to shape up, sell out or go to the wall. Turkey's flabby conglomerates will be forced to focus operations more tightly. This will be a wrenching exercise, which will doubtless cause great social and political stress. Bnt it should also create

entrepreneurs. Turkey has had to adopt EU legislation affecting virtually every aspect of business life. Full enforcement of EU codes will not come overnight, but state aid, cartels, trademark piracy can and will be snccessfully challenged in the courts.

Open markets will gradually impose greater discipline on Turkey's unruly economy. Finally, and perhaps most crucially, trade should help Turkey sustain wing gangsters began emerg- sion in 1994 with relatively ing to set itself up as a flow of ideas and informa- many suspect.

Politics: the Erbakan-Çiller power-sharing tussie Profile: Efes, the brewers The customs union with the EU

 Economy: delicately poise Social security: a problem area Investment: an underperforming sector

developed; and related Profile: Şahinler group clothing and textiles Car industry: opening up Trucks: output increasing

 Banking: position stronger changes

regional espirations Privatisation: moving forwards

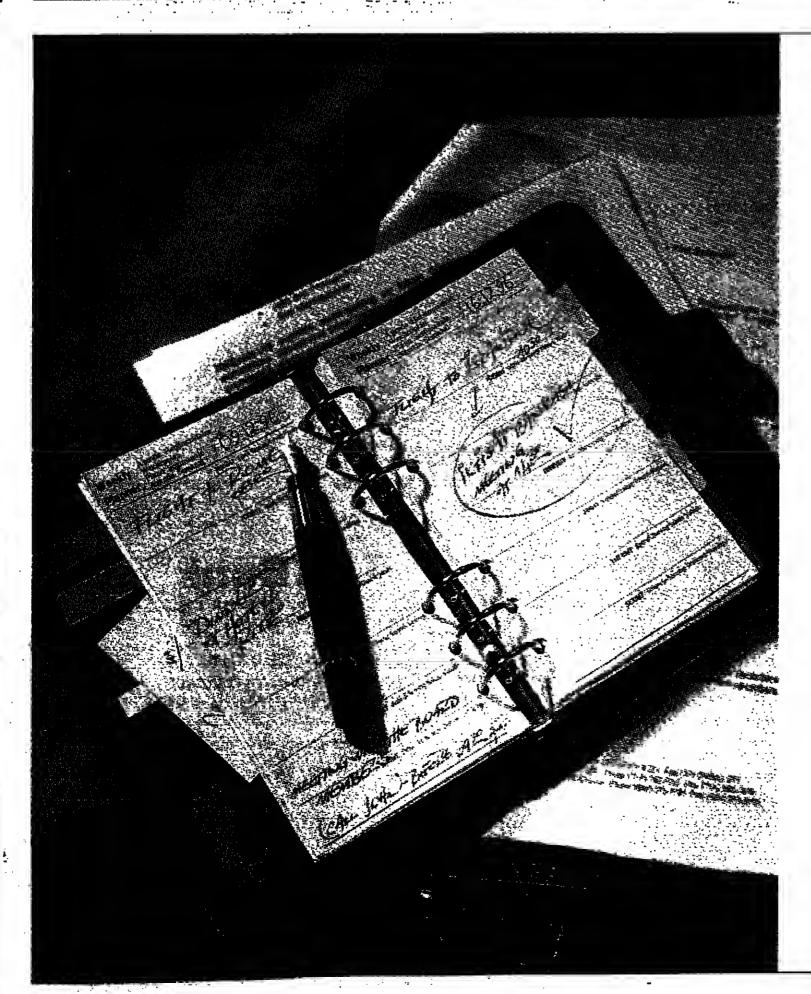
tion. Customs union has alweys been seen both from Brossels and from Ankara as

a wey of anchoring Turkey to the west. Nothing is ever simple or straightforward in Turkey. The old consensus in favour of an interventionist secular-

ist state is crumbling but no political group is successfully articulating a new model of society driven by private enterprise and governed by a minimalist state. On the contrary, Turkey is becoming dangerously frag-

mented between right and left, secularists and Islamists, nationalists and Europhiles, Turks and Kurds, opportunities for new rich and poor. Established entrants either from outside political leaders are discred-Turkey or for homegrown ited. Refah's Islamists seem overwhelmed by the challenges of governing a com plex society.

The paralyais will continue until a new consensus emerges. Some analysts think this will require a new generation of politicians, but Turkey has no time to waste. It is again becoming the sick man of Europe. Ultimately, Turkey has little alternative to participating in an increasingly open world economy. Still, the road to integration in world markets its links to the west. Free is likely to prove far longer central Asia. Istanbul is try- trade invariably brings a and more arduous than



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# Better than business first feared

Coalition splits and conflicting policies seem to promise a period of uncertainty

After five months in power, Mr Necmettin Erbakan, the firebreathing leader of the Islamist Refah party has achieved nothing - to the relief of the business establishment and the dismay of

his followers. Mr Erbakan is locked in a power-sharing alliance with the centre-right True Path narty. His few overtly Islamist initiatives have mainly been ill-starred visits to pariah states such as Iran, Libya and Nigeria.

His pronouncements on economic policy vary from the baffling to the laughable. But he has not indulged in a populist free-for-all or set about dismantling the capilysts feared.

The business world is beginning to see him as a pragmatist, not a raving fundamentalist. Some commentators even see him in power until mid-1998 when be is supposed to hand power to Mrs Tansu Ciller, True Path leader. Indeed, there is relief that Mr Erbakan has brought a eemblance of direction to a country adrift Asian countries, including since early 1995 when Mrs Ciller's previous government

began breaking up. Some financial market analysts say Refah ministers, generally less corrupt than mainstream politicians, are proving more effective

Turkish parliament



Tense costition: Necmettin Erbakan, the Isla stern, secularist Tansu Ciller, deputy prime minister and leader of the True Path party

in October spoke of "build-

Erbakan agree to a second

decree purging suspected

fundamentalist officers from

the army. Security hard-

liners made Refab backtrack

on promises to grant limited

autonomy to Kurds in the

south-east, where a bitter

separatist conflict rumbles

Some analysts argue Refah

will expel its fanatics and

try broadening its electoral base by moving to the cen-

tre. It took only 21.4 per cent

of the vote in last Decem-

ber's election. Mr Erbakan

says the ideals of Kemal Atatürk, founder of the secular-

ist republic, "remain our

more conciliatory now.

built up a reputation for effi-tional Monetary Fund deleciency in the cities - including Istanbul - it runs, and wants to replicate this on a national level by improving

It might even carry out pro-business policies, such as privatisation, to please its voters among the owners of small and medium companies and the traders of central Anatolia.

Exposure to the outside world may also be helping. In August, Mr Erbakan visited Iran and south-east Moslem Malaysia and Indonesia. A husinessman says: "The Refah people saw countries that were successful like Malaysia and Indonesia, but were shocked by the poverty and disorganisation

Markets are accepting lower political risk premiums, which should help lower inflation and give the government more time to sort out the economy.

Turkey needs strong leadership to reform the economy. But Mr Erbakan's team understand little about bow markets work. Policy announcements are bizarre, such as plans to launch a new currency, the "Islamic

Lvery

is not

a couple.

of 1996.

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dinar", or balance the budgation which visited Turkey get by next year.

The government is divided. True Path holds half ing hridges to Refah." Mr Erbakan vilified the fund the cabinet seats and divides responsibility for the econ-omy with Refah. This is a when in opposition, but is The army, that bastion of recipe for inaction. A busisecularism, has kept Refah nessman says: "One minister check. It made Mr says one thing and another says something else. Everymilitary agreement with one is playing politics. Israel. He even signed a Nobody is really in charge."

Mrs Ciller's credibility is fraying badly and with it her claim of acting as a moderating influence on Refah. In November, a car crashed carrying a wanted gangster, a top policeman and a True Path MP. Only the MP survived and immediately went to ground, confirming widely held suspicions of rampani corruption at the core of power.

The coalition between Refah and the secularist True Path is inherently fragile. Either partner could scrap the alliance without warning, risking another lurch deeper into political uncertainty.

Turkey is becoming dangerously polarised between havee and have-note, between secularists and Islamists, Most towns boast new mosques. More women wear ritual headscarves. some even opting for the black chador shroud. Insecure Kemalists have become shriller in the defence of sec-

A large and growing por-

PROFILE Eles

# perpetual quasi-cri **Knowing uncertainty**

The strategy is to expand and diversify, backed by foreign investment

ing for them, that it is cor-If there is one thing Mr Ilker Keremoğlu thinks he rupt and they want an alteran do better than his international competitors, it The secular elite believes is understanding and the government will fail. coping with uncertainty. Mr Keremoğlu is vice-president Many are pleased because Refah would be discredited of Efes Pilsen, Turkey's as a viable alternative to established parties. Howbiggest hrewery. Efes is a ever, these have produced no midget compared to European and US beer credible leaders of their own. If the government is weak and divided, the opposition is even more so. The inept giants, but it may be ahead of them in Russia, one of the world's last great Mr Mesut Yilmaz, leader of untapped beer markets. Efes is investing \$130m to build a state-of-the-art the opposition conservative Motherland party, has

The left is split between two alliance with the city's town hall. It will be Russia's largest brewery when it becomes fully Tormented by a dysfunctional economy, lacking operational in 1999. leadership from the secularist camp and feeling spurned Mr Keremoğlu reckons hy the west, it is hardly sur-Efes' growth in Turkey, one prising that Turks should turn against the established of the world's less stable markets, and experience in exporting to the former order. Yet Refah'e vision of a just society is riddled with Soviet bloc for years give it an edge over competitors. inconsistencies and contradictions. And Refah is prov-He says: "We are able to ing just as incompetent as understand [the people]

brewery in Moscow in

better than westerners. Business in Turkey has taught him to cope with the unexpected: "Political instability, economic

instability is nothing unusual for us. Inflation of 80 or 100 per cent does not make much difference either way. We have developed skills of flexibility, adapting to changing circumstances

very quickly." Management consultants would probably have advised Efes to diversity into safer, mature markets to counter the risk of operating in Turkey, where it already controls 75 per cent of the market. Instead, it decided to invest \$200m in the former Soviet bloc. Efes owns breweries in Romania and Kazakhstan plus the Moscow brewery. It has Coca-Cola franchises in Ukraine and three central Asian republics.

Admittedly, Efes took one "safe" decision by huying a one-third stake in Coca-Cola'e wholly-owned Turkish bottling and distribution company. Mr Keremoğlu will not give figures, but says Coke consumption in Turkey is growing at "double digit rates" - much more than the growth in beer consumption. The deal also reduces the company's reliance on beer, now that Turkey has an Islamist-led government that abhors

alcohol. However, analysts criticise Eles for having

built too much capacity in Turkey, a market with limited growth potential. and expect its relationship with Coca-Cola to yield rewards only gradually. although it could benefit from partnership deals with international breweries targeting the Turkish market. Mr Keremoglu hopes expansion and diversification will raise annual sales to \$1bn by 2000 from \$307.9m now, with half the revenues coming from overseas. Ries' parent company, Anadolu Endustri Holding, is itself diversifying more into the car and office equipment industries.

Efes has developed . sophisticated, by local standards, financial systems to support its foreign investments and share risk. After Efes has sewn up a project it sells stakes in the operation to foreign institutional investors at a premium. Eventually, it will redoce its stake in the companies to 51 per cent.

These operations are insured for political risk by the World Bank's MIGA foreign investment guarantee scheme, leaving Efes to handle the

John Barham

E Customs union: by David Tonge

# The honeymoon quest

Consumers may have benefited. but small

its secularist predecessors.

Turkey is further than

ever from a consensus on

how to build a stable and

equitable modern society.

tion of the population is

marginalised. Mr Selim

Oktar, general manager of

Strateji Mori, a polling com-

pany, says these poor, igno-rant people have no faith in

the established order. He

warns: "They want Refah to

be more radical. They see

that the system is not work-

become a laughing stock.

parties.

companies complain of terms Eleven months into the

customs union with the European Union and both sides are asking what happened to the honeymoon. For Europe, it has been a

period of disappointment at the failure of Turkey to make the advances in human rights and democratisation promised in 1995 and of concern at the quality of Turkey's economic management

FOR TURKEY, the EUS CO mitments to improved political dialogue and increased aid flows have been overtaken by confrontation with Greece over the Aegean and Cyprus. To Ankara, the EU has appeared to tilt towards Greece, not least with the Florence Council declaration of EU solidarity with Greece, inviting Turkey to submit the Aegean dispute to the International Court of Justice at the Hague. This declaration was Greece's price for allowing disbursement of the Ecu4.6hn grants and Ecu3.5bn loans available from 1996 to 12 non-EU Mediterranean countries under the Mediterranean Development Assistance Programme

Greece continues to block some EU aid programmes. In Mr Cem Duna, former Turk-addition, the European Paraddition, the European Parliament is criticising all EU aid to Turkey not linked to improved human rights and democratisation, a stand to which the European Commission has to pay increas-

These problems bave caused strong reactions in Turkey. "We cannot excuse the way that Europe is failing to honour the promises made to Turkey because of its own internal problems and failing to show the necessary efforts to overcome these," says Mr Meral Gezgin Eris, president of Iktis-tadi Kalkinma Vakii, which co-ordinates the Turkish private sector's policies on

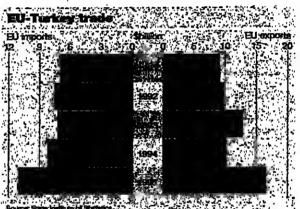
Europe.

Headlines on these hava diverted attention from the solid progress made in implementing the customs union in aid and trade. In 1996, Turkey signed contracts for Ecu250m of European aid, mainly for environmental and infrastructure projects.

In total, it is currently eligible for programmes totalling \$2.5bn by the year 2000. And the trade side of the customs union has been flourishing.
Mr Michael Lake, the EU

ambassador to Turkey, says: "Our estimates show that Turkey will be the EU's seventh-largest trading partner in 1996, ahead of Poland and just behind Russia." He forecests that the EU's share of Turkey's imports will rise from 47 per cent to 52 per cent and the EU's share of Turkey's exports from 51 to

This implies a one-fifth



increase in Turkey's exports sions, concerted action, over lamic Reiah party. Before to Europe between 1995 and all awareness, mutual under- coming to office, this co-operation from other parincrease in its imports from Europe, with the increase However, some changes in led by investment goods. the pattern of investment Where trade is concerned, the benefit has thus largely been Europe's - Turkish multinationals with manufacturing facilities in Europe manufactured goods already had duty-free access to the now prefer to supply Turkey BU and it was mainly on texfrom these, not least in contiles that restrictione sumer goods. But a more existed. Europe has now general pattern has been for abolished quotas on Turkish the larger European compatextiles, though, for the nies such as AEG, Bosch and Electrolux to increase the time, being it retains, and uses, its anti-dumping priority they give to Turkey regime. This is to be aboland its market of 60m. And ished as soon as Turkey for the larger US and Japa-

meets its obligations to set

both at national and interna-

tional levsl, rational deci-

up a competition board.

Lese progress has been the new markets of central seen where direct investment is concerned. Figures General Motors, Toyota, for the first eight months of Honda and Mazda are all 1996 show a dramatic drop. present in the vehicles sector and companies ranging from Chase Manhattan to explains this, saying: "For a Coca-Cola now run both national and regional offices surge in investments, more than formation of a customs out of Istanbul. union is required. You also need political atability, capacity to solve problems

Customs union may have been good for the Turkish consumer, but many small Turkish companies are complaining of market condi- Asia.

nese companies to treat it as

base both for Europe and

The EU is trying to assist here with programmes to support small and medium enterprises (SMEs). "We are busy setting up a regional information network," says Mr Lake: "We have opened three public information relays already, in Gaziantep, Diyarbakir and Izmir, and by the end of the year we hope to have opened also in Kayseri, Bursa, Trabzon, Denizli and Mersin, and even a small voluntary office in Iskenderun."

It is the SMEs which supply the bedrock of support for Turkey's ruling pro-lsship of the customs union Now, despite the problems of the SMEa, it is taking a softer line. This also reflects can already be seen. A few increasing acceptance that customs union is an opportunity not a panacea and that it makes more urgent the need for proper economic

"High inflation and changes in Turkey's foreign exchange rates mean that Turkey has not been able to benefit fully from customs union," according to Mr Hassan Goozal, member of the board of the Bilkentli Businessmen's Association in Ankara. However, partisan calls for a renegotiation of the terms of the customs union have still not been stilled. Each month with a growing trade gap adds to their support.

David Tonga is managing director of IBS Research & Consultancy which specialises in marketing research and business-to-business nies in Turkey and central

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#### TURKEY: INVESTMENT AND FINANCE III

**Economy:** by John Barham

# A perpetual state of quasi-crisis

The black economy keeps the formal system afloat; but radical reform is needed

Turkey's economy seems to be in a perpetual state of quasi-crisis. Heavy inflation. extortionately high interest rates and one of the world'e most worthless currencies are all symptoms of profound imbalances, themselves caused by unsustainable public finances.

The basic problem with the Turkish economy is no longer simply that government overspending is causing inflation. It has become more dangerous than that: financing the treasury's relatively small domestic deht has become so expensive that it threatens to destabilise the rest of the economy.

Mr Gazi Ercel, central bank governor, warns that "debt service payments have to be financed with new borrowing. In other words the public sector adds to its deficit in order to finance its previous deficit, completing the vicious circle known as the 'debt trap'."

In October, the treasury considered it a triumph to sell \$3.27bn-worth of one year bonds yielding 122 per cent - nearly twice the government's 1997 inflation fore cast. A month earlier it paid a befty 2.6 percentage points over Libor to raise \$1.12bn in foreign exchange-linked three-year bonds.

Mr Ercel points out that the treasury actually runs a large primary budget surplus of 2-4 per cent of GDP. Unfortunately, the cost of servicing its \$30.8bn local currency debt is expected to exceed 8 per cent of GDP this year - a record.

interest rates are high and maturities short partly because Turkey's financial markets are shallow: the assets of its banking system are less than \$67bn, too small to roll over the treasury's debts twice a year at a

sub-investment grade credit rating limits its ability to horrow overseas: it has become a net repayer of for-

Local markets also emand some of the world's highest risk premiums because they mistrust the government's inflation and exchange rate targets. The government forecasts 65 per cent inflation in 1997. Financiers expect next year's inflation to come in at between 80-100 per cent. Confidence is balanced on a knife edge. Strife in the coalition or a resort to populism would send interest rates soaring.

But business executives

sneer at alarm over what appears, to ontsiders anyway, to be a financial time bomh. Turkey may court disaster but it never sinks into hyperinflationary chaos. In 1994, a balance of payments and financial market crisis caused a 6 per cent contraction in the economy. Last year, it rebounded with growth of 8.1 per cent and economists expect a repeat this year, driven largely hy an investment boom and strong domestic demand.

The unrecorded economy, believed to be 30-50 per cent

Turkey has a young population, but its social

dramatic as greying

security problem is just as

Europe's. The government's

three social security fonds

to destroy value one study

in reality there is little

distinction between social

isury uses social

security funds to meet its

current spending and

security and the government budget; the

found that contributions

Jetween 1966 1995 lost 98

per cent of their value.

have a Soviet-like tendency

reasonable cost. Turkey's omy, helps explain Turkey's resilience. Statistics look less awful when the unofficial economy is taken into account. A surge in imports (about 30-50 per cent are capital goods) is widening the trade deficit to about \$20bn Yet the record \$7bn current account deficit expected for this year looks manageable partly because the central

bank estimates unrecorded

exports, mainly to former

eastern bloc countries, at \$5bn-\$10bn. But Goldman Sachs, the New York investment bank, says the fiscal deficit may hit 18 per cent of GNP this year. Even allowing for the underground economy this figure would drop to maybe 9 per cent - a dismal perfor-

Market turbulence will continue while public finances remain disorderly. A US hanker based in Istanbul says: "There is not much margin for error. Everything must be perfect. But nothing ever is. All you need is a treasury [bill] auction to go wrong and you have got \$3hn going into foreign cur-

International credit rating agencies warned in July of a downgrade unless the fiscal the size of the formal econ- picture improves. Standard

Social insecurity problem

with substities. Last year's

social security deficit was

equivalent to nearly 2 per

This is not all. Turkey

Women can retire after 20

retirement age of 45 is the

lowest for committee with

sheller pay as you go schemes. Evasion is tife.

If nothing is done, the

require larger and larger

4 - 4 - 4 - 4 - 4 - 4

social security schemes will

subsidies. Tois year's deficit

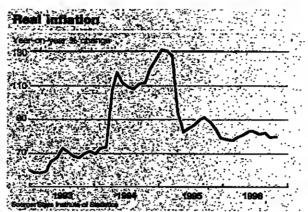
years' contributions.

years: Turkey's average

allows men to rethe after 25

cent of GDP.





and Poor's retes Turkey's long-term debt B+. An International Monetary Fund delegation left Turkey in Octo-ber, concerned about rising inflation and fiscal deficits. The government did not help by drafting a balanced

unrealistic revenue and ding assumptions. A diplomat commented: "Refah has no idea about economics or how to run a

will probably exceed \$4bn

equivalent to one eighth of

public spending. By 2000.

and require subsidies

subsidies will reach

one-quarter of spending

The government dropped

ages in the face of furious.

The longer reforms are

Yet local and international.

financial groups also see au-

opportunity in marketing

and managing private

pension plans.

postponed, the greater the

pain of change becomes.

union protests.

attempts to raise retirement

budget for 1997 based on

Mr Necmettin Erbakan, the prime minister, has resorted to desperate gimmicks to attract hard currency to Turkey, ench as allowing Turks to import used cars tax-free if they deposit DM 50,000 at a state bank for a year.

Paradoxically, Turkey has few fundamentally serious sconomic (although analysis worry about the social security sys-

The government conid quickly wipe out its budget deficit by improving tax collection. Istanbul University's Professor Izzettin Onder says tax revenues will he equivalent to less than 16 per cent of GNP this year.

Some financial market analysts expect the government's interest bill will decline if political uncertainty recedes, beloing to drive the hadget deficit down to \$18bn from \$15bn this year. This would bring lower inflation and interest rates, interest on treasury bills has halved from 240 per cent a year in January. Falling inflation and interest rates would boost investment and deliver sustained

Riskier than usual Foreign investors need reassurance in the face of political and economic worries

**Envestment:** by John Barham

investing in Turkey is always a hazardous business. These days it is probably riskier than usual. There have been three governments so far this year, the latest of which is led by an Islamist party whose commitment to western-style capitalism is mixed at best. Inflatioo, interest and exchange rates are as volatile as ever. Foreign competition is becoming more aggressive, endangering companies' formerly captive domestic markets.

Yet Turkish companies are busy investing, driveo by fear as much as optimism. Mr Albert Nekimken, director of research at Istanbul'e Demirbank, says: "Foreigners are holding back because of the [risk] of crises. But [locals] say 'what else can we do? We are here to stay'.'

Investment in Turkey has averaged about 25 per cent of GDP over the last ten years, a reasonable rate given the chaotic economy and similar to most other developing countries. Spending on machinery and equip ment picked up sharply last year as companies prepared for a competitive onslaught with the beginning of the EU customs union in 1996.

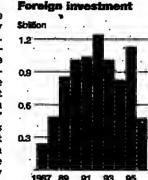
Investment has remained high this year, although it should slow down in 1997. Government officials say capital goods imports rose 71 per cent in the first quarter. They expect them to account for about 30-50 per cent of Turkey's total imports of \$42.5bn-45bn this year.

Investments are most noticeable in areas where Turkey is already strong, such as textiles. There is no reliable deta for this fragmented industry, but there is ahundant anecdotal evidence of companies spending heavily to upgrade technology and capacity.

Big Turkish groups have the resources and patient shareholders to ride out Turkey's unpredictable economy. Mr Mehmet Ali Berkman, president of Arcelik, a tainty, foreign capital bas white goods maker owned by the big Koc industrial group, says: "Our shareholders are quite patient. They can wait to get dividends for a long time. They are willing to wait and they are willing to

But Turkey's investment rate is probably insufficient to deal with the growing competitive challenge, particularly from fast-growing Asian economies.

However, investment is closely linked to the wider economy's switchback performance. Investment last year was considerably lower than in 1993 when a burst of growth pushed capital



spending up to Asian levels, only to drop ehruptly in 1994 when the economy crashed. Spending on machinery and equipment in 1995 was still iess than in 1993.

Instability deters foreign investment. Investment by EU companies was expected to become the locomotive of growth following approval of the customs union. But inflows slowed after a brief surge last year and are unlikely to exceed \$1bn in 1996. Turkey has rarely attracted more than \$1hn a vear in inward investment, a investment in developing countries. By contrast, Mexico, just one position East and central Asia. above Turkey in Euromoney's international risk ranking, is expected to receive \$4bn in foreign direct investment this year.

Yased, the foreign invest-

elowed to a point of cessation and those with [planned] investments have postponed future involvement for some time now".

It added that nearly all foreign investment now consists of reinvestment of profits by companies already operating in Turkey, while the proportion of fresh inward investment has declined. Yased says that in reinvestment 1993.

accounted for just over half of total foreign investment. Last year it made up 93 per cent of foreign investment. Yased concludes that this shows international business has "no confidence in Tur key's current structure".

Turkey also euffers collapsing infrastructure, poor education standarde and shortages of skilled workers and managers. Productivity is low. It struggles with bureaucratic inertia: officialdom enforces longstanding, but ofteo trivial regulations but is less strict in implementing new codes protecting intellectual property, defending coosumer rights or enforcing competition. Corruption is widespread.

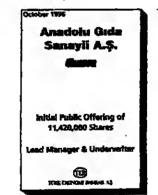
Foreign investors have not completely turned their backs oo Turkey. Investment bankers report that international companies' interest in Turkey is resuming after a loog pause following the calling of general elections in September 1995.

Global companies cannot afford to ignore Turkey. It is a large market of 62m potential consumers. It has a young and rapidly urbanising population. Penetration rates for products ranging from cars to washlog machines are low. A growing middle class has adopted western consumer styles.

Turkey is a good low-cost manufacturing base, it has tiny proportion of foreign duty free access to the EU and is close to markets in eastern Europe, the Middle It will not fulfil its promise

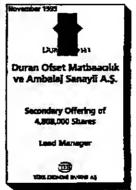
without restructuring the public sector, rebuilding its infrastructure, improving education standards, enforcing commercial law and ment association, warned stamping out corruption.

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Infrastructure: by John Barham

# From bad to worse

are there but investors are wary of build-operate regulations

Treffic jams, water shortages, power cuts, congested telephone lines, bad roads, bousing shortages: bad and rapidly getting the country's power shortworse. The government's investment budget has dwindled over the years, instead of increasing to meet the needs of a growing, urbanis-

ing population. The government has not met its electricity investment targets once since 1990 Officials say Turkey needs to invest about \$2bn-3bn a year to meet demand growing by 9-11 per cent a year. However, last year it invested only \$726m. Power cuts have ecome a feature of daily life in many big cities.

The government is even importing electricity from Bulgaria and Georgia. It is reopening three obsolescent power stations along the Mediterranean and Aegean coast. Courts closed them because the east Europeanenvironment and tourist

installing their own power systems to provide electricselling excess production to TEAS, the state electricity now has no other alternative company. These plants now provide about one per cent of Turkey's electricity but Turkey's infrastructure is are hardly the solution to

> A powerful nationalist, statist establishment in the hureaucracy, courts and parliament has steadfastly resisted allowing private. particularly foreign investment in infrastructure. Although private operators could overcome the worst infrastructure bottlenecks relatively quickly given the chance, Ankara fears losing control over key segments of the economy - and the political patronage which it con-

> Opponents have used the courts to block the government's build-operate-transfer (BOT) scheme designed to attract private finance to infrastructure projects. only four have begun con-

which is the \$1.3bn, 672MW Birecik hydroelectric power Companies have begun plant on the Euphrates river.

A formidable business lobby that includes some of ity for thair factories and the world's higgest power companies believes Turkey to private sector participa-

> In the summer, the government approved regulations allowing investors to build and own power stations outright, with no requirement that they be transferred to the state.

> Tha energy ministry announced that six gas-fired plants with 5,200MW capacity, would be put out to tender under the new build-operate rules, with planned commissioning dates ranging from 2000 to 2005. Companies are to submit bids in December, complate with feasibility studies, detailed plans and project finance

In spite of the short deadlines, 57 hidders have prequalified. They must meet energy ministry specifications about size and general location. Although issues Although courts have such as a contractor's crediapproved 16 such projects, bility and experience, the plant's technology and emis-

The opportunities plants threaten the local struction, the largest of sion levels will also be important, companies will compete mainly on the price of electricity they will sell to TEAȘ.

A further seven plants with 4,600MW capacity are to be built at a less hectic pace and are due to come on stream in 2005. Some of the biggest names

in the international energy industry, including the world's oil majors are submitting bids. As an oil executive says: "There are a lot of problems

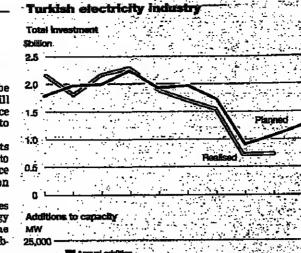
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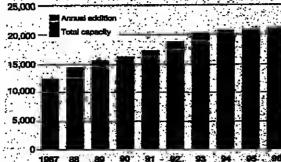
the growth potential you see great opportunities." Electricity demand in Tur key is still very low, in spite of years of strong growth. Consumption is only onefifth of the OECD average, indicating that expansion is

Although investors are

likely to remain strong.

wary of Turkey's Islamist-led government, they bope Refah's emphasis on public service will counterbalance the party's xenophobic, populist tendencies. A banker says: "Understanding of the urgency is there, and the commitment is there so my thesis is that things will be done." A positive indication of this is a decision to privat-





ise seven ports, by selling 49- better than the BOT system One hardbitten observer of year leases to private operators and leasing power the battles over BOT says: plants to private companies The end-game will be that the lights will start going

out. The government will But others are less certain that the new build-operate borrow to build power stations ou its books, which is rules are capable of withstanding attack from the precisely the opposite to atatist establishment any

#### service traditionally carried out by the state but now performed by a private company constitutes a concession and the law requires Turkish courts often hostile to private foreign investment - to approve each concession and to monitor it for compliance with the law during its life. Disputes: must be settled in Turkish courts, not by international

This bizarre legal loctrine has delayed private infrastructure rojects for years, delying ttempts by ministers to devise a legal wording allowing badly-needed projects to proceed. Courts have approved only 16 build-operate-transfer (BOT) infrastructure deals. Under the BOT model, first developed in Turkey, a company builds a project

arbitrators, as investors

and their bank lenders

In Turkey, virtually any.

to earn a profit, then turns it over to the state.

The government in May replaced the BOT model with a new set of rules to evergame the concession problem. These allow

companies to build and

operates it for fixed period

**Turkish courts** own power plants outright They make a distinction between electricity production and distribution. Officials argue that unlike distribution. generation does not constitute a social function of the state and therefore is

not e concession. BOT projects now in the approvals pipeline can be converted to the new build-own (BO) rules, but these will not apply to hydroelectric dams. Lawyers are not sure the BO decree can withstand attack. They point out

modifies a law, making it vulnerable to claims the government is overruling parliament. Neither does it necessarily settle the concession issue or guarantee international arbitration

Furthermore, banks may consider the contract between TEAS and its electricity suppliers too weak to support large international loans to e developer. This is because TEAS would be entitled to halt purchases "in case of ... breach of contract." Lawyers warn breach of .. contract is a term that can be interpreted very loosely.

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Sahinler group

## Trinkets to textiles

Fourteen years ago Mr Kemal Şahin was a hard-up metallurgy student et Aachen University in Germany. His studies, funded by a Turkish government scholarship were ending and the only way to remain in Germany was to go into business.

He opened e small store selling tourist trinkets. Soon he was importing clothing and textiles from Turkey, making deliveries and driving trucks along Europe's motorways

Today Mr Şahin, 41, is a multimillionaire. His privately-held Şahinler group expects sales to rise 15 per cent this year to DM1.3bn and more than double to DM3bn by 2000. It employs 7,500 people and is Turkey's biggest clothing and textile exporter. Profits, he says with a twinkle in

his eye. "are a state secret." Sahinler is a private company and divulges little financial data, making it difficult to assess lts true strengths and weaknesses or potential for further growth. But Mr Şahin says profits are as good as ever and confidently predicts that by 2000 Şahinler will be a billion-dollar company. Mr Sahin began by deploying more than the



immigrant's traditional virtues of hard work and business cunning - these qualities may be enough to huild a medium-sized business, he says, but not a large eroup.

Success requires management ability, e willingness to delegate power and responsibility. Turkish bosses are notoriously authoritarian. But Mr Şahin claims he is different, genuinely seeking to motivate a young generation of senior executives.

Managing growth is another big challenge. Small and medium companies often expand too fast and become overextended. Others are too risk-averse and avoid

If you're considering trade-related links with

Turkey, then we have the key to a profitable

London-based Sabancı Bank pic is part of the

industrial and commercial condomerates that

also owns Akbank - one of the best capitalised

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**ABANCI** 

For further details, please contact Denis Long.

TURO

Sabancı holds the

loans, which stunt growth. Mr Şahin says he steered a middle course, growing through trade credits. He saw that retailing

clothing in Europe could be more profitable than making clothes in Turkey. He built up a retail network in Europe, mainly in Germany, then moved upstream, producing clothing and textiles in Turkey. He gradually built an

integrated textile and clothing empire handling almost every production stage to sales and marketing. The groop has invested aggressively in new factories in Turkey and in outlets and distribution networks in Europe, now financed mainly from internally generated cash. But retailing remains an important part of the Sahinler group: it has 180 low- to mid-market outlets in Europe, mainly in Germany.

He says operating costs in Turkey are rising. He has responded by moving production of "lower-cost products [to the Far East]. Making (some) basic products is not possible in Turkey any more.

John Barham



will be limited.

increase remorselessly with

the customs union, falling

import barriers on third

country imports and rising

inward investment by Asian carmakers. Until very

recently, local manufactur-

ers could charge premium prices for obsolete cars

because they faced little out-

sida competition. Now,

imports hold one-fifth of the

After a slow start, OYAK-

Renault, an affiliate of the

French carmaker, and Tofas

- which once held a quasi-

duopoly-are gearing up to introduca new modela,

increase imports from

France and Italy and export

Renault is planning to

spend \$350m to introduce its

Mégane range in Turkey as

well as increasing capacity

and upgrading technology.

[units a year] by 2000 and to

be ready we have to invest

\$500m in the last five years

is planning to invest another

\$500m to launch a new model in 1997. However, ana-

lysts say disputes between

Koc and Fiat have weakened

the company. Some say the

pany, a rumour Koc strongly

Market analysts criticise

denies.

Tofas, which invested

market.



Trams provide some relief from appalling roads

■ Cars: by John Barham

# Leaving protectionism behind

what it wanted.

slow to react to the outside competitive challenge

is planning to extend its governments offer to all Turkish citizens. Most obsessively protect their car industries, normally considered the crown jewel of any industrial economy. Until a few months ago. Turkey was

no exception. In August, Mr Necmettin Erbakan, the prime minister, desperately looking for ways to raise hard currency, ruled that Turkish citizens bying abroad could import second cars to Turkey free of taxes and duty if they deposited DM50,000 for a year at stateowned Ziraat Bankasi, which

cent interest The plan provoked a predictable burst of anger from local car companies. Mr Rahmi Koç, chairman of Koç Holding whose Tofas joint venture with Flat of Italy

would also pay them 10 per

198674 1965 1994 212,651 1896 223,492

sales, of course Tofas's workforce will be reduced. And ripple by ripple, that will now." spread to auppliers."

Turks would prefer a secondhand Mercedes-Benz (which sells for \$30,000) to e brand new Tofas Tempra which goes for about \$15,000. OSD, he car industry association. warned the government that two could even part com-100,000 used cars - nearly half local output - would flood the market, further damaging local industry at a both companies for reacting time wben ontput was

growing but car output has gearing up to produce the remained flat for three now obsolete Tampra and years. Companies have cut will only have e new model shifts and sacked hundreds of workers.

all the more puzzling Still. Turkey has not bacause the outgoing gov- recovered from a collapse in ernment fought hard to the market in 1993, when block second-hand imports production fell 40 per cent for five years under Turkey's and has yet to recover. This customs union agreement makes it hard to justify big

with the European Union. investments. Sales may well vehicles per 1,000 people, be looking for a suitabla But with only a few weeks before it expires, his scheme tury, but in 1993 analysts of 350-400. predicted annual car sales of has attracted relatively little interest. Only about 2,000 1m units for 2000. vehicles are likely to be

imported so the government government cuts taxes. New Even so, car company bosses now say the scheme's impact What does seem certain is European markets. that competition will

Manufacturers are capti-

pared to 18-23 per cent in kans and Central Asia.

pean levels: it has about 37 tories. Suzuki is rumoured to imagining."

Aggressive Asian compa-

nies are setting up "trans-Carmakers are still hoping plant" factories in Turkey to sales could zoom back if capture a chunk of this interest rates fall and the potentially incrative market as well as exporting to the cars currently pay 45-75 per EU and surrounding mar-cent value-added tax, com-

Toyota already has a factory near Istanbul which vated by Turkey's demo- holds nearly 10 per cent of rates remain far below Euro- car, are both setting up fac- as much money as they are

double by the end of the cen- compared to an EU average local partner as is Mazda and several South Korean companies

Toyota already have installed capacity of 500,000 units a year.

## Trucks are gearing up

If the outlook for passenger cars is mixed, business in commercial vehicles is improving. Turkey moves nearly all its freight by road, so demand for commercial vahicles is closely linked to economic growth. If Turkey grows, so do sales of trucks and buses. Truck sales jumped two thirds to 19,826 units

Analysts say imports should affect local

commercial vehicle companies less than passenger carmakers. imports.

expects it to increase net margin by one fifth to 18. per cent this year. Sound management and investments in technology have boosted productivity. Sales per employee have doubled since 1988. Still, productivity growth has stagnated aince 1994 when output slumped and Otosan's small capacity denies it economies of scale,

Mr Jacques Chauvet, Ren-Turkey and the EU to ensure that complex ault's general manager, says: deals are handled with seamless ease. "The Turkish market is becoming more open and So if your business future is in Turkey. this is something we have to holds ona third of the market, warned: "We are looking live with. We feel confident at the economic situation of that the market will be in Tofas. If there is a drop in the range of 450,000-500,000

If they can afford it, most

slowly to the competitive already depressed. . challenge. Tofas took too The economy may be long and spent too much - either the Palio or Marea -ready two years after the

Mr Erbakan's decision is customs union.

FACILITY AGREEMENT



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The industry worries about overcapacity If all these investments actually go ahead. Tofas, Renault and

Analysts doubt whether there la room for much more, even allowing for rising exports. Ms Ayşegül Bengraphics. As well as having the local market. Honda and sel, automotive analyst at a young, urbanising popula-tion, Turkey's car ownership key's best-selling imported new entrants "may not make

last year

Turkish trucks and vans are designed to resist the country's appalling roads and extreme climate, which often defeat more expensive

Otosan, a Ford-Koc joint. venture which makes cars. vans and trucks, increased output by more than half in the first six months of this year. Global Securities

limiting its ability to raise efficiency.

Banking: by John Barham

# Treasury's cash dispenser

Turkish banks are not alone in seeing chances in retail and corporate banking

Being a banker in Turkey often looks as easy as it is well rewarded. For years, Turkey's banks have acted as little more than cash dispensers for the treasury, charging interest of 20-50 per cent a year in dollar terms

for their trouble. This generalisation is only a little unfair. In the first balf of the year, private banks' interest income on securities (overwhelmingly short-term treasury bills) rose by half to \$3.33bn.

Akhank, Turkey's biggest private sector banks reported \$415.6m-equivalent pre-tax profits for the year to September, a 35 per cent increase in dollar terms. Most of its earnings came from its portfolio of high-

yielding government paper. Mr Erol Sabanci, managing director and a member of the family that owns the bank, says: "Being liquid in [volatile] market conditions means you can adjust yourself easily. If you are not liquid, your ability to adjust

Being able to adjust quickly is a crucial advantage in a financial system where years of heavy inflation have led to generalised sbort-termism. Last year. less than 10 per cent of local currency deposits had maturities of a year or longer. Foreign currency deposits made up over half of liabilities. Interest rates veer up and down sometimes with littla relation between asset classes in what Mr Sabanci

calls "interest rate anarchy". Banks are stronger than they were two years ago, when a balance of payments crisis and mismanaged treasury bill auctions caused a financial system breakdown. Goldman Sachs, the New York investment bank, commented in a recent analysis of the Turkish banking system that while "its health [remains] inextricably tied to that of the nation's finances" stricter supervisory stan-

exchange positions and stronger capital ratios have made banks stronger than in

Profits are growing nicely. Listed banks posted a real 30 per cent rise in net income in the first half of 1996 to \$713.1m. The Turkish Banking Association reports a halving in non-performing loans to \$215m in the first

Banks are funding more through their retail network, reducing reliance on interbank and foreign borrowing. Although extanding branches is expensive, local funds are much cheaper in an inflationary environment than borrowed funds and more reliable in times of cri-

A bank analyst comments "if you do not make any big mistakes you are making money." But he warns: "Everyone knows [securities income] will not go on. The

dards, government-imposed question is when to get out. limitation of open foreign At the moment everyone is enjoying the high [yields]." However, some banks are

also positioning themselves for the day the treasury bill bonanza ends. Big banks like Yapi Kredi Bankasi (YKB) and Garanti Bankasi, are reducing their exposure to government securities and amphasising traditional

Mr Burhan Karaçam, president of YKB, which has a large consumer hanking franchise, says: "We are looking at our markets with a long term perspective. Time will come when the government will not borrow so heavily and we want to maintain a presence in markets we have built up."

Competition is intense and margins are narrowing. Although private banks' net profits rose one-tenth to \$838m in the first balf, this was roughly in line with GDP growth.

However, low or even non-

many basic products still provide a strong base for

Turkey is the world's fastestgrowing Visa credit card market. Both YKB and Garanti are investing in new operations centres stuffed with state-of-the-art technol-1991 92 93 94 95 98 ogy to cut costs and improve market responsiveness. How-

when inflation declines substantially. The lure of easy money has drawn several new participants into the market. The government no longer issues new banking charters, so existing banks are sold at considerable premiums. For instance, the industrial Anadolu group paid \$80m for 80 per cent of Alternatifbank. However, one insider reckons Anadolu may see profits of just \$1m a year on its investment in Alternatif-

bank. Turkish banks are not

profit growth. For instance,

will only really take off

#### even if your account is in Buenos Aires." A trend gaining impetus

Now that Turkey has an Islamist led. government, it seems hardly surprising ; that non-interest islamic banking should be gaining a further impetus: In October, Asya Finans, a venture sanctioned by Fethullah Hoca, a religious leader, opened its doors Asya Finans is backed by 16 partners and \$125m in capital. Musiad, an Islamist business association, is also opening a

finance house. Turkey already has several Islamic finance houses - none has a banking charter. The largest is Al Baraka Türk-if began in 1985 with capital from local-. investors and from Saudi Arabia and Persian Gulf states, led by the Saudi Al-Baraka banking group: It is now Turkey's largest Islamic finance house with \$5844m in assets last year.

n assets last year. Mr Osman Akyūz, general manager, says: We collect money from the public on a: non-interest basis and we invest this. money in the real financial market to finance [companies] buying and selling goods. We put no money into government: bonds."

Borrowers have a choice of a fixed term

loan, which includes a hefty margin to cover inflation and Al Baraka's fees or they can lease equipment through Al Baraka. Fees vary between 9-13 per cent depending on the client and the deal Al Baraka is

backing. Depositors share in the profits and losses of Al Baraka's operations instead of earning interest, fluough "participation accounts". Al Baraka changes a 20 per cent management fee on these accounts even if figy lose money.

Islamic banks occupy a small mche in the Turkish financial system. Part of the reason for this are the mediocre returns for depositors. In 1985, the best returns Al Baraka could offer its depositors was a meagre 5.8 per cent in real terms, its profits of \$77m equivalent returned just 1.3 per cent on assets - less than half the banking

sector average.

Money laundating investigations at Faisai Finans, a smaller Islamic finance house, have not helped improve the image. of Islamic banking either. The treasury suspected Faisal Finans of recycling \$60.9m in illegal funds on behalf of a textile company for \$500,000 and DM400,000 in fees. Confusion among the pious may also be

holding back growth. Although Al Baraka's business is sanctioned by Islamic scholars; others claim its "Jees" are no different from conventional interest charges. A financial market analyst adds that Reiah sourns Islamic banks. He says Refah has "an. excellent asset management program using not only interest bearing instruments but currency and stocks."



alone in sensing the opportunities in retail and corporate banking. Citihank has included Turkey among its top nine most important emerging markets. Mr Dardo Sabarots, general manager, says Citi is beefing up its local balance shaet with \$55m to boost operations and integrate its branch into the bank's worldwida customer network. Mr Sabarots says we will have the same branch in different countries McDonald's. With your Citicard you can manage your current account from here.

In spite of the local market's attractions some bankers think business is getting too risky because loans are too cheap. A senior European banker says pricing on international syndicated loans "has dropped to unattractive levels. We have started turning down borrowers. The credit quality is there but is the country risk priced in?" Solid local banks are raising funds paying as little as 0.5 per cent over Libor, sometimes to finance speculation in treasury bills.

Lurking in many bankers' minds is the risk of a repeat of the 1994 crisis. Although the large banks are stronger than before, medium-tosmall banks may not be able withstand further upheaval. However, upsets are unlikely to endanger the banking system since the ten largest banks held three quarters of the system's

assets last vear. The European banker adds: "I think there will be a liquidity crunch at the bottom tier. I think the treesury is aware of this weakness. There will be forced mergers and some very elegant

An expected return on investment...

Brisa, one of the foremost tyre manufacturing companies of Europe, and the market leader of

its country, is the winner of the 1996 European Quality Award. The Award presented to the best

performing company in the implementation of the European Model for Business Excellence stands

as the ultimate recognition of Brisa's dedication to quality. And the celebration of outstanding

Brisa is a leading company of the Sabancı Group of Turkey. A joint venture of the Bridgestone Corporation of Japan and the Sahanca Group, Brisa produces a wide range of tyres under Lassa and Bridgestone brands. The Brisa factory in Izmit, Turkey is one of the largest tyre production facilities under one roof in the world. As of 1995, the Company is the 6th biggest tyre manufacturer in Europe

results in relation to employees well-being, customer satisfaction, and

market share. Just a few big steps on the road to business excellence...

The European Quality Award 1996, won by Brisa.



business lines

the road to trade liberalisagiving liberalisation a powerful new impetus by throw-ing open domestic markets and imposing new regulatory frameworks.

Almost nobody is immune be it the local grocer or Mr Rahmi Koç, bead of Turkey's most powerful business empire. Turkish companies flourished thanks to limited competition, foreign hair-trigger reactions, a lockbold on domestic distribution channels and a variety of restrictive practices, cartels and state support.

Competition and EU regulations mean an end to these bad old ways, forcing companies to begin restructuring themselves. This will require greater participation by foreign competitors and their capital, technology and management methods.

ish acquisitions is slowly resuming after a year of quasl-inactivity after elections were called in September 1995. A New York banker based in Istanbul says his clients "are going after local market plays, looking for brands and fast-moving consumer goods. There is an increasing number of Turkish companies looking for partners. We have seven or eight transactions in the pipeline now."

■ Business: by John Barham

# A second liberal phase

With trade barriers down companies must focus on fewer

Turkey is entering a second phase of liberalisation that will bring profound and probably irreversible changes to the country's cor-

Fifteen years ago tha reforming government of Mr Turgut Ozal set Turkey on tion. The customs union with the European Union is to international competition

Foreign interest in Turk-

Competition has already hegun driving prices and margins down throughout industry. Gross margins of 40-50 per cent are still common. However, they look less attractive after allowing for Turkey's heavy inflation. Bankers say real margins say well-trained English-

are probably no higher than speaking executives are 20-25 per cent: not bad, but scarce, as demonstrated by probably insufficient for their relatively high salaries companies hoping to remain and rapid job turnover. independent and grow.

But Mr Mehmet Kutman. chairman of Global Securities, Istanbul's leading brokerage, argues that "capital is not a problem for companies wanting to stay in Turkey. They have accumulated enough capital over the last four to five years of high interest rates and have not invested enough or are at a scale they should be at. Their internal cashflow will be enough to keep them going in perpetuity, even if margins drop from 40 to 10 per cent. They are able to run leaner and meaner and

their technology is not bad." He mentions Arcelik, Turkey's leading home appliance maker owned by the Koc group, which has increased market share and maintained margins as trade barriers came down. Arcelik increased its market share to over 60 per cent from 50 per cent since 1989, while import duties fell from 50 per cent to zero (on imports from the

However, Mr Kutman warns that companies will need to begin venturing outside Turkey if they want to grow and this will take capital. Turkey remains wedded to Mediterranean capitalism that emphasises family ownership and management and eluctance to sell equity. Mr Kutman expects this to change. He has set up a New York office to help prepare Turkish companies for US listings. Bank of New York says only four Turkish companies or banks are listed in New York in ADR form.

Growing in a foreign environment is far from easy. Raks, an electronics and magnetic tape company, expanded quickly through exports to the former Soviet bloc. However, attempts this summer to acquire the magnetic tape husiness of Germany's BASF hackfired badly. Analysts say Raks overreached itself. BASF sold to a South Korean group instead.

Management is often weak. Business consultants

Turkish bosses are notoriously authoritarian. Attempts to impose the latest management fashion such as empowerment rarely succeed. Mission statemeots remain mere wall decora-

tions in most offices. Turkey's many medium sized, family-owned husinesses are probably the most vulnerable to weak management, poor capitalisation and unsustainable margins. Their founders arc either still in charge or just retiring, with all the attendant succession problems.

However, management at Turkey's top companies is venture between Japan's Bridgestone tyre multinational and the Sabanci Holding conglomerate came first a European quality competition, Netas, a subsidiary of Canada's Northern Telecom came second. Analysts also rate Garanti Bankasi, a big banking group, bighly for its open corporate cul-

Competition will force companies to concentrate on Turkish capitalism grew up behind high trade barriers. so even quite small groups are highly diversified, operating in a range of sectors tbat do not yield even token

Scale is another problem. Turkey has few companies large enough to hold their own against big global competitors. Most Turkish companies remain focused on their narrow domestic margrowing, which denies them economies of scale,

Although Arcelik has sound management, strong finances and is well entrenched in its local market, it is too small to flourish in its present shape. Arce-lik's pretax profit doubled in dollar terms to \$91.8m on sales of \$1.06bn last year. Mr Mehmet Ali Berkman, the company's president, says he is open to joint venture deals "on equal terms" that pre-"his managerial

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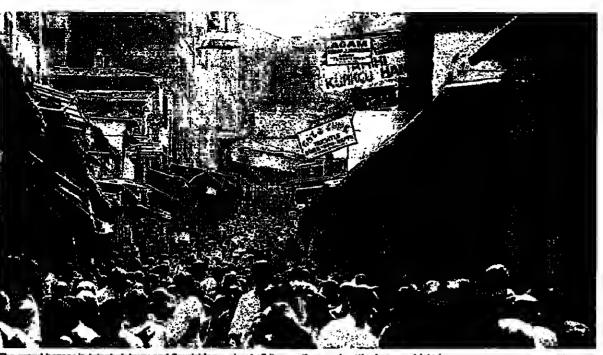












■ Privatisation: by Keily Couturier

# Getting used to the idea

This sector needs political stability, a new legal framework and official backing

Mr Necmettin Erbakan, the Turkish prime minister, who never liked the word privatisation when he was in opposition, has become something of a champion of the cause these days.

"debt trap", where about 45 budget is spent financing the expanding public deht. Mr Erbakan's five-month-old coalition has demonstrated an eagerness to move forward on privatisation that is in stark contrast with the foot-dragging of the left-right coalitions of the early

criticism of privatisation as a notion going against the grain of the populist, statist sury lands and real estate, economic policies of his pro-Islamic Refah Party.

Instead, Mr Erbakan, in an enthusiastic hunt for resources, is putting up for sale state-owned enterprises,

ties all over the country. the stalled privatisation effort in Turkey, where receipts from sales in the last years bave been far short of original targets. In 1995, the government realised only about one-tenth of its original target of \$5bn

the \$2.7bn target. Political instability, legal Faced with finding a way challenges and a lack of out of Turkey's worsening political will has crippled the decade-old privatisation effort over tha last few years, leaving Turkey lagging far behind western Europe. Latin America and Asian nations.

But analysts say the government is again over-ambitious on its privatisation revenua targets for 1997, when the coalition expects to raise some \$13bn through sell-offs Gone are Mr Erbakan's included in the official government privatisation portfolio as well as sales of treaand the leasing of power the ministry of energy and

> Even if the government does speed up the privatisation machinery for targeted

projects such as tha giant Türk Telekom or its Global System for Mobile Communications (GSM) cell-phone licences, the likelihood that it will see returns in revenues in 1997 is "very optimistic", one western analyst says. "You can't sell off telecommunications companies overnight," the analyst says, and the figure to date for 1996 is even lower at about adding that in the Türk Tele-\$291m, again way down from kom case much work remained at the preliminary

> Nor is the plan to lease 35 hydroelectric and thermal power plants and 25 power distribution networks likely to bring short-term financial surpluses, according to the western analyst, adding that usually such moves are made to bring in private managerial expertise and shift the burden of new investments to the private sector, rather than to raise resources.

valuation assessment and

regulatory framework

The energy sector in particular is expected to draw foreign investor interest. Out plants to be carried out by of a portfolio of 53 companies and real estate holdings, the privatisation administration plans to complete 24 sell-off projects by the end of

Scepticism lingers, bowever, that the government will muster the will to give up control in such a short period. For following through on its privatisation promises will require the government to relinquish control mechanisms in the areas of economic strategy.

price levels. "Privatising the Tupras refineries requires being prepared to allow petrol prices to rise to international levels. Is this government prepared to do that?" one consultant says. "Tve not seen prepared to lose its control mechanisms.

patronage and consumer

Even if Mr Erbakan demonstrates a true commitment he says. to the structural changes privetisation entails, his coalition partner, the centerright True Path Party led by Mrs Tansu Ciller has yet to show e similar willingness.

It remains to be seen whether the government will move ahead on privatisation, according to many observers, including the World Bank. It announced after a visit last week that it would monitor developments during the next six months tial in the medium term," he before releasing the remain- adds.

ing 80 per cent of a \$100m loan for technical assistance for privatisation and a complementary social safety net

Mr Gazi Ercel, Turkey's central bank governor, supports the eagerness shown by the government to speed up privatisation, which he says is essential to bring down an inflation rate that is hovering around 80 per cent and to attract foreign

But Mr Ercel, too, cautions against the government's apparent tendency to see the sell-off programme as mainly importance of privatisation ties in increasing production and public sector efficiency,"

In addition, reducing the size of the public sector will cut down on corruption, be says, alluding to allegations of widespread graft in the state sector.

He says particular atten-tion should be paid to strategy in the renewed privatisation process, with an emphasis on pricing. "If the price is right, the market will find" investors, he says.

Commercial Union the British insurance group and Ger-"Turkey has great potenmany's electrical giant Siemens all have units quoted

I istanbul stock exchange: by John Barham

few already in the pipeline

with informal applications

The international market's

rules are simple. All transactions will be in US dollars.

No taxes will be levied. Listing faes are rock-bottom.

Companies should have a three-year track record and be profitable for at least two years prior to listing. Ideally, companies would already be

listed on a market in their

home countries and Istanbul would accept that market's listing criteria. If the com-

pany is not listed elsewhere

it should meet the Istanbu

Once a listing is approved,

the company will deposit

shares either with a custo-

dian company in its country

of origin or with the Istanbul

market's Takasbank clearing

house. Depositary receipt

shares will then be issued

for trading in Istanbul. Dis-

closure standards will be the

same as for the Istanbul

domestic market. Settlement

Mr Erkan hopes the inter-

national market will not be

limited only to small-capital-

isation stocks from the for-

mer Soviet bloc. He hopes

multinationals operating in

Turkey will list, both as a

public relations ploy and to

raisa capital for local pro-

jects. Several multinational

subsidiaries or their affiliates are listed in the domes-

tic Istanbul market. US tyre-

Goodyear,

maker

is three days after trading.

markets' requirements.

which we are evaluating."

Brokers and bankers welcome the international market but worry about safeguards

The modern Istanbul Stock Exchange is 10 years old but is already the region's biggest market. Now it has designs on the business of neighbouring bourses.

The exchange authorities hava set up an offshore international market aimed at providing a forum for new companies in a vast region ranging from the Balkans, central Asia to the Middle East to list their shares. Emerging market investors and mutual funds will then

Turkish companies will tional bankers in Istanbul be able to access these also be able to list foreign stocks directly in a single subsidiaries on the internamarket that offers good tional market. Mr Erkan infrastructure and liquidity. helieves Turkish companies Most of the world's biggest expanding into the Balkans, emerging market funds Russia or central Asia will already have a presence on be among the first to list.

the Istanbul market and Istanbul wants to combine want to increase their expothe attractions for internasure in the region. Mr tional companies of an off-Hüseyn Erkan, the Istanbul shore listing offered by Dubexchange's executive vicelin or Luxembourg, with e chairman, says. "The inter-national market is open. We trading environment which these two centres lack. Iraare trying to attract companian, Canadian and Austrian nies to the market. The rules companies are currently disand regulations are there. cussing listing on the inter-Once we have one or two companies listed wa can national market. start trading. There are a

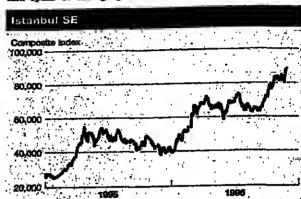
market has its drawbacks. To begin with, the Istanbul

However, the international market offers all the thrills and spills of emerging mar-

welcome the international market, they worry about safeguards. It will take time to develop liquidity. Mr Albert Nekimken, research director et Demirbank, an investment bank, says: "This is a process, you cannot expect miracles. It will take 10-15 years." The Istanbul market has 229 stocks and the turnover on the domestic market rarely exceeds \$200m e day, dominated by e handiers and

prime n

ful of big stocks. Liquidity is a chicken-andegg problem. Investors will not want to buy shares in a company that trades infrequently. Companies will not want to list on an illiquid market. Mr Erkan hopes to overcome these difficulties



kets – axtreme volatility, spotty liquidity and weak regulation. Brokers admit that short-termism, speculation and market manipulation by small cliques is rife. The market is very sensitive to political news.

Although the Istanbul climbed 33 per cent in dollar terms between January and November, it has been a rocky ride. Prices soared in the first quarter after a conservative coalition government took power. Daily trading volume exceeded \$300m on some days.

Prices began sliding when the alliance began showing signs of decay in April, only to pick up again in June with the formation of e new and possibly more stable Islamist-conservative gov-

While brokers and interna- are springing up in Europe.

by establishing market makers for selected stocks without abandoning the existing automated hid-offer matching system used on the main Istanbul market. Mr Erkan hopes to jump-start trading by setting up a market for Turkish eurobonds soon. market'a composite index There are ebout \$13bn-worth of these bonds outstanding and trading is concentrated in London, evan though most of this government-issued paper is held by Turks or Turkish banks.

Others doubt Istanbul can offer market depth. Privatisation, which would broaden tha domestic market virtually overnight, still looks e distant prospect. Furthermore, competing small European bourses are fighting for survival by offering better service. Several alternative or over-the-counter markets

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# THE CZECH REPUBLIC

# Voters and investors call the prime minister's bluff

The position of Vaclav Klaus changed dramatically after this year's elections, write Vincent **Boland** and **Anthony Robinson** 

The Czech Republic began more political accountability the year with confidence, anticipating continued stabillty, strong economic growth and four more years of firm leadership under Vaclav Klaus, the prime minister, who had just proclaimed that the country's transformation "was more or less over"

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It ends tha year unsettled and politically divided, facing a sluggish economic outlook, and at sixes and sevens over the pace and direction of further reforms. Problems in the financial sector have exposed legal and regulatory weaknasses, while high imports and faltering exports raise question marks about competitiveness and the pace of industrial restructuring. Voters and investors, whom Mr Klaus has always trusted to prove him right, have taken to calling his bluff.

When Mr Klaus made the remark about the transformation being over, he was in a dominant political position, with a comfortable majority in parliament he expected to retain, and a weak opposition. The country had made good progress on macro-economic and political reform, was poised to join the Organisation for Economic Co-operation and Development (OECD), and was about to apply for membership of the European were high, fuelled by that

After his centre-right coalition government lost its parliamentary majority in a general election last June. those expectations changed to anxieties. Voters sent a

and more open discussion of issues both within the coalition government and in parliament. That again appeared to be the message in the latest test of the publlc mood in last month's election to the upper house of parliament, in which the

coalition won a clear major-

ity, but on a low turnout. Investors are also demanding regulatory and legal reforms that have become more urgent since August. when Kreditni Banka failed with large losses caused by bad landing and suspected fraud. A succession of failures among small banks had until then done little real damage to the financial sector. But the Kreditni collapse sent wider ripples, forcing the central bank to rescue Agrobanka, the country's biggest fully private

Some of the financial problems stem from inherent weaknesses and complexities in the Czech capital markets. including poor regulation and wide cross-ownership within the banking sector and between banks and industrial companies. This encourages companies to expensive, short-term bank debt rather than raise more flexible and long-term equity capital. The current state of the capital markets also leads to insider Union (EU). Expectations trading and creativa accounting, which may not be illegal because of gaps in the commercial law, and to

outright fraud, which is. "There is a tendency in the Czech-Republic for financial alchemy, for exceedingly and unnecessarily complimessage that they wanted cated transactions whose investment bank, high- removing institutional and

by their complexity," says Jiri Huebner, head of the Czech Republic team at the European Bank for Reconstruction and Development (RBRD).

These developments have altered perceptions of the Czech Republic, once admired for its clarity of purpose and careful handling of financial matters. Some argue that the current gloom is overdone. Views "have to over-negative", says Josef Tosovsky, governor of the

#### IN THIS SURVEY

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The economy: Trade womes

Message from the people

 Houskig: A tricky search Page 4

 Foreign relations: Walting to join Nato Page 5

Sales offer fresh start

Page 6

Production Editor: lan MacDonald

Czech National Bank and chief fighter of fires in the undergrowth of the financial sector. "We are now paying unavoidable, long-term costs of economic

Mr Tosovsky and many others welcome a growing awareness of tha need for micro-economic reforms and greater enterprise efficiency. But such reforms need to be far reaching and involve the sacrificing of sacred cows. In a recent study, the EBRD and Patria Finance, a Prague

ress. Now that the senate the real test of Mr Klaus will be his ability to bring forward fresh ideas, says Jiri Pehe, a political scientist.

President Vaclay Havel sometimes appears more in tuns with the public mood Czech companies seeking than either the government long-term capital to finance or the opposition. He handled the stalemate resulting modernisation and restructuring. This is especially true from the election in June with aplomb while polititraditionally at the heart of cians floundered. He also made pointed comments on the economy. Companies with foreign strategic sharefraud and cheating and the holders are restructuring need for greater morality in public and economic life The poor financial health before the government of much domestic industry acknowledged there was a coincides with a more pessi-

in the engineering sector

mistic outlook for growth.

Last month, the Czech Sta-

for growth of gross domestic

per cent from 5.1 per cent,

blaming a slowdown in the

accompanied by an unward

revision of the full-year cur-

7 per cent of GDP. Economic

because the phased liberalis-

inflation rate every year.

as minority shareholders.

much more quickly.

problem. At the end of an eventful year the future course of events is unclear. "Drift is now the danger," Mr Pehe tistics Office cut its forecast product (GDP) for 1996 to 4.8 says, "Aside from Havel and a few others, Klaus and the government don't have the intellectual breadth to take German economy. This was the country forward." While Mr Havel, whose

rent account deficit to nearly health gives cause for concern, can point society's way growth next year is forecast forward, Mr Klaus retains at between 5.1 and 5.5 per the responsibility of leading the government. But one positive consequence of the Inflation is also stubbornly high at about 9 per cent and shifting political winds, is proving difficult to cut could be a wider and more open debate. "This country ation of otility prices and other regulated sectors adds needs to function, needs to work," the prime minister up to three points to the said during the senate election. Many of the changes A clutch of high-profile needed to get it moving investment projects that are again are relatively small, expected to improve the observers say, and could be quality of both output and quickly implemented if vested interests allow.

productivity are about to get under way. Nova Hut. a big As the country gravitates steel mill, is close to finaliscloser to the European mainstream it is also being forced ing a \$650m restructuring programme with finance to engage more with the outfrom the International slovak republic, the only Finance Corporation and the EBRD. A recapitalisation of functioning democracy to the venerable Zetor tractor emerge from the dissolution company is another big projof the Hapshurg empire, was under discussion, sacrificed to Hitler in 1938. together with on-going modsubmitted to communism in ernisation of the country's 1948, and was forced back power and transport infrainto sullen conformity by Moscow in 1968. This history structure. Meanwhile, the hanking sector is preparing has left scars. They are reflected in Czech wariness to embrace foreign investors about ceding economic con-But industrialists and trol to foreigners, a rather sceptical attitude to Brusother observers say politicians need to refocus on sels, and a lively interest in

SLOVAKIA

AUSTRIA

GDP per head (\$)

Unemployment rate (%)

Current account/GDP (%)

Trade balance (\$bn)

moort cover (months)

Budget balance/GDP (%)

external debt/GDP (%

Foreign reserves (\$bn)

16.9%

16.2%

6.6%

Current account balance (\$bo)

Foreign Direct Investment (\$bn)

Foreign Direct Investment/GDP (%)

Interest rate, 3 month PRIBOR (%)

Main trading partners (Share of total trade to world, 1995

Real GDP growth (annual % change)

Inflation (annual % change in CPf)

ndustrial output (annual % change

Gross fixed investment (yr-on-yr % change)

E Area: 78,864 sq km ■ Population: 10.3m (mid 1994) K Language: Czech @ Main Cities: Lien 1994

Koruna (Kos) = 100 Heles

Exchange rate: Nov 26 1996 \$1=Kc26.785

E Head of state sident Vector Havel Head of government

ne minister Vaciev Klaus (ODS National legislature Pertement has 200 members, with an

E Electoral system

In National government Headed by the prime minister and dominated by the Civic Democrati Party. The government was formed in

Main political parties Civic Democratic Party (ODS)"; Civic Democratic Alliance (ODA)": Christian Democratic Union-People's Party KOU-CSLIT: Communist Party of nemia and Moravia (KSCM); Cze Social Democratic Party (CSSD); Free crate-Liberel National Social Party (SD-LNSP); Czecho

Mational elections Next parliamentary elections due Jun

enlarged Europe.

An agonised internal debate

precedes every move for-

ward. The current dehate

about a securities watchdog.

insist can be installed practi-

excluding Slovekin allowed to play in a future

move. One young business-Caution is the leitmotiv. Czech Republic "is a great meot. place to come to for a critique of your ideas". Czech society also prides itself on the sort of influence which cally overnight, is indicative is no consensus on what to esting year.

small countries will he of how slowly things can do or where to go next. But a wider range of options is man, born in Bohemia hut now oo the table for discuseducated in the UK, sion by rival politicians and remarked recently that the a more combative parlia-

53.0

5.2

5,190

7.8

7.0

15.0

4.0

-3.0

-5.7

-5.2

7.3

2.0

3.8

0.0

32.4

17.0

10.5

49.0

4.8

4,537

18.0

-6.9

-5.6

7.2

1.5

3.1

34.0

15.0

11.8

The Czecb republic beads for 1997 in the mood for consensus. Currently there ideas. It should be an inter-

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■ Banking • by Vincent Boland

# The problems run deep

This sector is on the defensive following a string of failures at small banks

Just when they thought they had turned the corner, Czech bankers have been given a few months that their prob- from a centrally planned to lems are more than skin an open economy, he at the deep. A series of failures root of the problem. among small banks, and a resulting liquidity crunch at kets and the creation of bank market. If CS had been the fifth largest, have experienced, skilled bank lending money directly to exposed bankere to their regulators all take time," he customers instead of indiclosest scrutiny ever, putting says. "We had to close one rectly through the interbank the entire sector on the eye to the lack of experience market, it would have had to

defensive. The catalyst for this bout of reluctant navel-gazing was the collapse of Kreditni Banka in August with losses estimated at Kc12bn. The bank was brought down partly by heavy loan losses but also by suspected largescale fraud, which appears to have gone unchecked for some time eveo though the market was convinced of it for weeks before the Czecb National Bank intervened

At the centre of police and parliamentary investigations into the Kreditni failure is Motoinvest, an acquisitive but somewhat mysterious financial group which bad managed to gain control of Kreditni and Agrobanka, the largest fully private Czecb bank. In the immediate aftermath of Kreditni's collapse, at the beginning as privati-Agrobanka experienced a sation created a huge Part of the problem is math of Kreditni's collapse, disastrous credit squeeze after being frozen out of the interbank market. Agrobanka is now under central being liquidated.

incidents bas lent an air of crisis management to official attempts to contain the fallout and to get to grips with the wider issue of financial sector reform, including that professional behaviour." of the stock market. Financiers say the reform process will need to be thorough and far-reaching if further problems are to be avoided and if the credibility of the Czech financial markets, oow at its lowest point since economic

Josef Tosovsky, the gover-nor of the Czecb National system. Bank who has been criticinadequate supervision of the banking system, argues that strong political pressure for the issuance of bank licences to stimulate competition early in the reform

"The development of mar-

Their underlying strength

ised for the central bank's has only been marginally affected. Ceska Sporitelna (CS), the big savings bank, was singed because of its significant role in the interbank market, on which the failed institutions relied for financprocess and the unpredict ing. CS, which was monopable nature of the switch oly savings bank under the old regime, attracts 70 per cent of Czech savings deposits and is the leading eupplier of funds to the inter-

## Towards privatisation

Privatisation of the big four banks is an intensely political process, writes Vincent Boland. Through their fund management arms, which control stakes in the nation's leading companies, the banks spread their tentacles throughout the economy. There is widespread suspicion that any new large sbareholder would impose new rules, especially if that shareholder were to be a powerful foreign investor intent on pushing through a radical restructuring of the enterprises owned by the funds.

Privatisation therefore raises the wider question of what national strategic role, if any, the big banks should play. The main issue is whether they should continue to be the quasi-governmental executors of industrial policy with wide strategic ownership roles in the economy, similar to that of Austrian and German banks, or confine themselves to a more limited Anglo-Saxon role, lending to industry and the entrepreneurial sector.

Given the geographical location of the Czech Republic, and the nature of its emerging business culture, the balance is likely to tilt increasingly in the Germanic direction.

demand for banking eer-

"Everything took place in a legislative vacuum until bank administration and is laws started to emerge in up for sale, while Kreditni is 1992. But when clear evidence of fraud emerged at The impact of these two Bohemia Bank in 1994, for example, we closed it down quickly. We expected that this would be taken as a clear signal that we would not tolerate fraud or non-

failures which have occurred over the last few years have affected less than 4 per cent of the assets of the overall banking system, which remains highly concentrated. The top four banks,

Part of the problem is that too many banks are chasing too few creditworthy customers. In several of the collapses, small banks were lending to their own shareholders or to those who never intended to repay. Some argue that some small Czech banks were bound to

and other borrowers. What angered independent Meanwhile, the 12 bank observers, including foreign portfolio managers, was the impunity with which Motomvest and other groups acted. Motoinvest secured control of Agrobanka in early 1996 after what Jiri reforms began, is to be re-established. Czech Republic team at the thrown open to control over 80 per cent of European Bank for Recon-untrammeled competition.

borrowing and weak finan-

cial state of Czech industry

(EBRD), describes as a "conspiratorial shareholder meeting" held without the know-ledge of several key shareholders. But no action

was taken to rescind the results of that meeting. which ultimately proved disastrous for Agrobanka. The banking sector's recent problems have given a higher profile to the broader question of privati

sation of the top four banks - Komercni Banka, Česka Sporiteina, IPB, and Ceskoslovenska Obchodni Banka (CSOB). A series of sometimes contradictory statements from the central bank and the government recently about how this should be carried out left many investors unconvinced by the arguments on both eides. even though there is agree-ment among officials on the broad approach.

The atrategy includes a fairly speedy sale of the state's 31 per cent stake in IPB, almost certainly to a foreign investor. Nomura, the Japanese financial house, and ING and ABN Amro of the Netherlands and that while it would stop have been touted as potential buyers.

Beyond that there is little agreement. The CNB is pushing for a merger between deposit-rich CS and itably run a trade deficit as CSOB, the former foreign companies import technoltrade bank. But Vaclav Klaus, the prime minister. recently described the notion as a nonsense. He dismissed the plan as tantamount to a ing up the overall current merger of Sparta and Slavia, account deficit as a percentthe top Prague football teams, anatherna to fans of uct - it is expected to be 7 both clubs.

originally touted privately may become difficult to by CSOB, but of late the finance. bank's management has become less inclined towards fail, given the high cost of it, while the CNB, which understood to have been initially sceptical, has investment bank, in a comtaken to it.' A merger of the mentary in November. Bettwo banks is now at the heart of central bank thinking on the sector, with the aim of cresting an institution able to compete when the Czech Republic joins the European Union Huebner, director of the and the banking market is

Export performance • by Vincent Boland

# Trade deficit worries

High cost of importing technology weighs heavy on finances

At the Prague School of Economics last month, Prime Minister Vaclav Klaus, who became a professor last year, indulged in one of his favourite pursuits lecturing to students. Striding around the lectern, chalk and ruler in hand, he filled a blackboard with equations and calculations, impressing his wide-eyed andience, many of whom are his sup-

one of the premier's contentions at the lecture was that the country would run a permanent trade deficit. "The Czech Repoblic will probably not have a positive trade balance in the long term, ever." he told the students. Mr Klaus argued that the Czech trade deficit which stood at Kelllbn in the nine months to September, was the result of high imports of investment goods growing soon, it would not be eliminated.

The prime minister's fellow-economists agree that an emerging economy will inevogy to help them restructure. Some argue, however that as the Czech trade deficit continues to climb, pushage of gross domestic prod-The merger idea was and 7.4 per cent in 1997 - it

"In our opinion, continued deficits on this scale are unsustainable," noted Goldman Sachs, the New York ter economic conditions in European Union economies, which account for over 60 per cent of Czech foreign trade, should allow domestic companies to export more, "albeit with a lag of six to nine months", the bank said. While a strong perfor-

mance by the services sector This is especially the case continues to keep the growth in the engineering and of the current account deficit below that of the trade deficit, it may not be enough to Czech manufacturing econalleviate the problem in the omy. The country's large medium term. Tourism revenues continue to be high, but the underdevelopment of by high short-term debt the sector keeps a check on growth. ratios and low returns on assets and equity, according In a bid to boost export

performance, the govern-

ment recently budgeted

more funds for export promotion and promised to involve Czech diplomatic contrast sharply with low missions abroad in the sell-government debt levels and ing of Czech products, something diplomats have apparently been unwilling to do up to now. But the real answer to the rising deficit, analysts and industrialists say, is for Czech companies to complete restructuring quickly. When that has been completed domestic industry will be able to compete on quality, rather than relying course, and they have the tially gruelling fight with

backing of Vladimir Dlouhy, the opposition early next the industry and trade minister, who said recently that

on price advantages, as many do today. Czech industry is a mixed

bag. "There are excellent enterprises, there are enterprises that should have been declared bankrupt long ago, and there are enterprises that muddle through," says one Prague economist. Those companies with strategic foreign investors who can supply cheap finance to restructure are powering ahead, while others that do not often have difficulty in ohtaining long-term financing while being burdened with short-term debt.

heavy industry sectors, traditionally at the heart of the number of mid-sized companies are especially burdened to the European Bank for Reconstruction and Development. High indebtedness and low profitability throughout much of the private sector

halanced state budget The government has several choices in addressing the poor trade performance. One is to devalue the koruna, whose high and stable nominal exchange rate against the US dollar and D-Mark makes Czech goods expensive abroad. Many industrialists favour this

if the deficit did not show signs of peaking soon - he suggested by the end of this year - a devaluation of the koruna would be needed.

However, Mr Klaus and the central bank are against this course of action, and there is little prospect of a devaluation for the moment. Mr Klaus argues that the high deficit is temporary and caused not by the high koruna but by high imports of technology as companies modernise themselves. This modernisation is not yet reflected in improved export competitiveness. Import growth for all of 1996, forecast at 15.5 per cent, will heavily outweigh the forecast 7.5 per cent rise in est, the foreign investment exports.

Another course is to raise interest rates. But with resistance to incentives for interest rates already high - green field investments from the average was 13.96 per cent in September - this would push up the koruna, so making imports cheaper and exports even more

A third option is to promote domestic savings and switch to a budget surplus, thus cutting domestic demand. However, a budget surplus would be politically sensitive and perhaps impossible to achieve in the current climate in parliament. The government wants to reduce public sector wage growth but faces a poten-

continuous casting rate 82%

ISO 9001 certificate since 1993

year over reform of the health and welfare services, which is likely to cost e lot of public money.

"concern

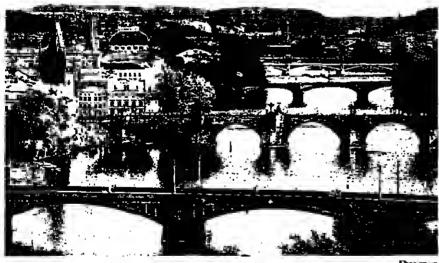
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A fourth option, though one with limited potential, is to attract more foreign direct investment. It has been a proud boast of the Czech government that it has not had to privatise for bodget ary reasons. When it sold 27 per cent of SPT Telecom to a foreign partner last year the entire \$1.35bn proceeds went to the company to help it restructure.

Those days may be over. The country has attracted hittle green field investment, while delays in privatising energy utilities and other sectors have caused FDI to drop off this year. Czechluvagency, is seeking to persuade the cabinet to drop its green field investments from abroad, while the proposed privatisation of the banking sector - likely to take several years - should attract

strong foreign interest. In the meantime, the burden of improving the sluggish Czech trade performance depends on managers and ehareholders whipping industry into competitive shape. That requires finance. experience and nerve by existing management. As Richard Salzmann, chairman of Komercni Banka, notes: "There are no reserves of management available on the market.

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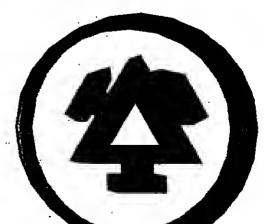
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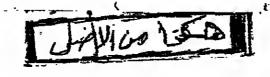


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■ The economy • by Anthony Robinson

# give cause for concern

Greater efficiency at micro level is needed to maintain stability in macro-economy

Macro-economic stability has been the holy grail of a government dominated by mecro-economists. The result has been e succession of balanced budgets and gently-declining single-digit inflation despite external shocks, such as the collapse of the Comecon trading system in 1991 and the divorce from Slovakia in 1993, and the most comprehensive coupon privatisation scheme in the post-communist world.

Over the last year, however, e steeply-rising trade deficit, which Vledimir Dlouby, the trade and industry minister, warned recently was "nearly et the limits of the bearable", has brought to the surface growing concern that the government's unorthodox mass privatisation methods, while quick, have created obstacles to reform at the micro

Thousands of privatised Czech enterprises, many of them quoted on the Prague stock exchange, now find themselves short of capital and deprived of effective owners capable of spurring management into creating internationally competitive enterprises. The concern is that, without capital market reforms and greater efficiency at the micro level, the country's hard-eerned macro-economic stability could also be placed in jeop-

But the worries go wider than that, Prime Minister formed Skoda into an inter-Vaciav Klaus is widely nationally competitive car praised for his ability to transmit clear liberal market ideas to a sceptical population and for the force of his belief that once enterprises were privatised the market ment from over 60 compowould sort out the wheat nent makers who not only from the chaff. But it has supply Skoda but also become increasingly clear exported products worth a the subtle interactions of other car plants in the modern financial markets region. and underestimated the need financial institutions to

and regulatory framework. That may change. A series over-staffed electrical engi-of small bank failures, popu- neering companies in Brno lar concern over criminality and business fraud, and growing evidence that serious foreign institutional attention to updating and investors in particular are staying clear of Czech equity markets, has raised the profile of legal and institutional reform and micro-economic ernise this export-oriented

The government's political future was reinforced by the coalition partners' relatively strong showing in last month'e senate elections. The hope in financial and merket circles is that a newly self-confident government will move on to tackle the more complex, long-range problems thrown up by the second or institutional reform stage of the

transition proces One area of reform concerns the need to strengthen the Securities Act and create. a securities and exchange commission with teeth. At present, the Prague stock exchange finds itself at a distinct disedvantage compared, for example, with Warsaw, whose exchange commission has imposed New York-style transparency rules which attract for-

eign and domestic investors. "Currently there is no protection for minority share low; and the company's abil-holders, few disclosure ity to continue making a requirements, and little enforcement as no punitive powers were given to the minister of finance," according to Zdenek Bakala, of Patria Finance.

operate in a virtual vacuum. heavy investment is a source This was very attractive to of astoniahment to financial some players in the market analysts.

DRAVIA

who became very rich, and to the banks. Through their control of investment funds tha banks gained control over the consumers of canital. It has proved very difficult to change the system

because the combined assets

of the banks and the funds

give them a power which makes it difficult for for par-liament to control," he adds. The result is thet the Czech Republic has attracted less than half the foreign investment . which has flowed into Hungary over the past seven years and has far fewer entrepreneurial start-up companies than Poland, which leads the way in bottom-up private enterprise development in the

A big gap has also emerged between the performance of Czech companies which were privetised through more or less conventional trade sales to foreign investors, and those formally privatised through coupon privatisation. The latter left control of several thousand companies initially in the hands of over 6m individuals and subsequently in the hands of investment funds or shareholder groups more interested in retaining control than improving the performance of their invest-

Some of the foreign take overs have proved to be spectacularly successful. A recent study by Czechinvest. the foreign investment promotion agency, shows that Volkswagen's acquisition of a 70 per cent stake in Skoda Automobilova, accompanied by heavy investment in new plant, machinery and training, has not only transcompany accounting for nearly 6 per cent of total Czech exports. Its rapid growth has also acted as a magnet to attract invest-

Another highly successful, for markets, banks and other high-profile foreign investor has been Asea Brown Boveri work within e clear legal (ABB), which bought up e pot-pourri of capital-starved, and other industrial towns. With e relatively small investment, but careful transferring new technology, ABB built on traditional high Czech and Moravian engineering skills to mod-

Very high increases in labour productivity in these and similar plants, coupled with e large decline in overall employment in the engineering and other industrial sector as under-employed workers shifted into fastgrowing service industries, has helped to raise overall productivity levels in Czech

industry. But restructuring has been much slower at many Czech companies, especially those which used to export heavily to slowly reviving former Comecon markets, or which rely heavily on expensive bank financing. Reluctance to allow Skoda Plzen, the biggest Czech engineering company, fall under the control of Siemens five years ago, for example, has been followed by rapid expansion into new markets and new

industrial sectors. But overall profitability is wide range of products from nuclear power equipment through to raffway locomotives, machine tools and consumer products which all demand specialised manage-"The system started to risl and marketing skills and



■ Politics • by Anthony Robinson

# Sell-offs now Message from the people

Electorate gives the prime. minister an unpleasant surprise --

Behind an often dour, phlegmatic exterior, Czechs frequently harbour a critical scepticism and a penchant for black humour. Vaclay Klaus, the prime minister, found himself at the receiving end of this national characteristic at the general elections in June.

Tired of his arrogant self-confidence and Thatcherian insistance that Czechs had "no alternative" to his policies, thousands of voters turned up at the polls determined to give him a nasty shock. Instead of e ringing endorsement and four more easy years in power for Mr Klaus and the three-party centre-right coalition led by his Civic Democratic Party (ODS), the voters decided to put an electoral ferret up his trousers in the shape of Milos Zeman, leader of the

Social Democratic Party. The two men worked for years in the same economic research institutes under the communist regime. They

then, and their personal animosity has deepened since. Their personal rivalry

reflects the polarised society revealed by the elections. Some former Communist party voters and large numbers of lowly-paid workers, turned off by the triumphalism and apparent insensitivity of Mr Klaus, shifted their vote to the revived version of a party which was very popular in the pre-war Czech republic. From a lowly 6 per cent share of the vote in the 1992 general election, the Social Democrats shot up to 26.4 per cent share which delivered 61 seats in the

The shift to the Social Democratic centre-left was accompanied by e strong showing from two "pariah parties", the xenophobic Republican party which won 18 seats on 8 per cent of the votes on its anti-foreigner, anti-gypsy rhetoric, and the unreformed Communist party. The latter dropped slightly to 10 per cent of the vote and 22 seats. Bnt together the opposition parties won enough seats to

200-seat lower house.

deny an overall majority to Mr Klaus and his allies in Christian Democratic Union stir up the hostility of many

actually performed well, was visibly stunned. Suddenly he had to fend off criticism from within his own party and his coalition partners, who wanted a less personalised, more collegial style of government. Above all, he had to face up to the need to make political compromises with an opposition leader whom he personally despised but with whom he had to reech a political accommodation.

That accommodation was reached on July 25 when the renewed centre-right coalition, two seats short of an overall majority, received e parliamentary vote of confidence after the Social Democrats walked out of parliament just before the vote. To obtain permission to govern in this way, Mr Klaus had to make several largely symbolic policy and personnel changes and agree to the appointment of Mr Zeman as the speaker of parliament.

Since then, however, events have largely moved in favour of the prime minister and the government. Mr Zeman is every bit as abrathe Civic Democratic sive and authoritarian as Mr could not stand each other Alliance (ODA) and the Klaus, and soon managed to

in his fractions, inexperi-Klaus, whose own party enced parliamentary group

deficit and debt finance for

the higher spending. The second big blow for the Social Democrats came on November 23 when the ruling coalition parties won 52 of the 81 seats in the newly-created senate. The ODS raised its share of the vote in the second round run-off to 39.5 per cent from 29.6 per cent at the general election, while Social Democrat candidates slightly increased their share but picked up only 25 seats in a senate which they

way had they won. Despite urging from President Vaclav Havel to turn out and give substance to an institution which could underpin democracy as in the first republic, only 30 per

and party. The most important split occurred in October when four Social Democrat deputies defied party discipline and voted with the government in favour of another balanced budget for 1997. The Social Democrats had campaigned on the need for health and social welfare and declared themselves in favour of e 3 per cent budget

eral election.

had promised to abolish any-Klaus has recovered much,

THE CZECH REPUBLIC 3

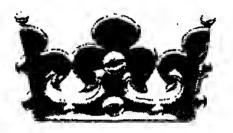
cent of the electorate bothered to turn up at the second round of voting, compared with 76 per cent et the gen-

The low poll permitted the opposition to dismiss the vote as an irrelevance. But no amount of political spindoctoring can alter the fact that the Social Democrats in general, and Mr Zeman in particular, are e waning political forca, while Mr

mer self-confidence. The question now is wbether Mr Klaus, perhaps wiser and more accommodating after his recent bruising, will seize the initiative and turn the government'e ettention to the legal and institutional reforms needed to underpin democracy. tackle cheating and rising criminality, and bring

honesty to the economy.

although not all, of his for



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# Tricky search for a decent place to live

For most people there is still little alternative to life in a high-rise

Throughout eastern Europe,

forests of high-rise housing surround nearly every large town, often obscuring an historic centre of rare beauty. These suburban monuments to socialist social engineering are not always low-income ghettos but are frequently home to e crosssection of people from all walks of life. They are not attractive - President Vaclav Havel once referred to them as "rabbit cages" - but they are relatively free of the social problems that plague such high-rise developments

President Havel, motivated by aesthetic as much as political and social considerations, vowed that no more estates would be built after the fall of communism. Since then, construction companies have indeed started putting up lower-density, threeto-four-storey housing units in landscaped surroundings. But they are expensive. Sheer economics dictate that cheaper panel construction needed to provide affordable homes to those on lower

Often these apartments

to get married. State companies also provided housing for their workers, giving rise to the phenomenon of "company towns." A typical example is Roznov, in northern Moravia, a town that did not exist until communist planners decided to build a factory to make televisions in a particularly underdeveloped part of the country. Having built the factory, they then built blocks of cheap apartments to house While these traditions are

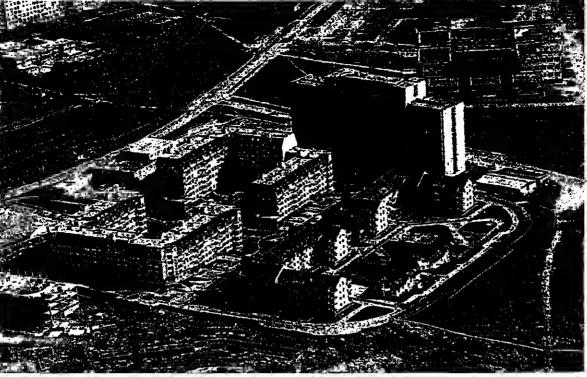
breaking down, there is still little alternative to a flat in a high-rise for most Czech people. Czechs call them pane loky - panel-built housing with paper-thin walls made of cheap materials, erected in the 1960s "to provide a roof over the heads of the entire population regardless of bow good it was", says Jaromir Schneider, minister of regional development. His newly-created department has assumed responsibility for bousing, and be esti-mates that 30 per cent of all

housing consists of these

Todey, the majority of

high-rise estates.

such apartments are owned by the families who live in them; about 60 per cent of the ones in Prague are privately owned while others co-operatives. The regional development ministry estimates that slightly less than half the country's house three generations of total of 3.7m homes are prione family. In the commu- vately owned, Rental levels nist era, one way to climb on municipal eccommoda-



tion are also still tightly con-

There is, bowever, no honsing market. While Czech hanks now provide mortgages - some have television advertisements showing smiling families living in beautiful new homes - interest rates are too high for most people. There is talk of mortgage interest relief. common in many western countries, but for the moment the absence of sellers and the scarcity of new housing means there is virtually nothing to buy.

Some high-rise suburbs are already in an advanced state of disrepair; panel housing was not built to last. "It is quite clear we have to invest for restoration and refurbishment," says Mr Jan Koukal, mayor of Prague, To help raise the necessary finance, the city is planning

tional capital markets to raise up to Kc7.5bn. This would go towards providing mortgage subsidies for residents seeking to either buy or refurbish their bomes, the mayor says. The ministry is also plan-

ning a national programme of bousing subsidies, Mr Schneider says. This will include support schemes for site development, direct loans to potential buyers. loans for applicants without adequate security, and mortgage repayment subsidies. Some Kc13.5bn has been set aside in the draft 1997 budget to finance this programme. The goal is to raise the level of subsidies to about 2 per cent of gross domestic product over time.

These developments coin-

estimates that Kc400bn will be spent on upgrading existing stock and building new housing over the next 10 years to satisfy pent-up The centres of many towns have undergone substantial

refurbishment in the past few years thanks to restitution - the return of property confiscated by the communist regime after 1948 to its original owners or their descendants - so most of this new development is likely to be in suburbs and in new housing estates.

Increasing and improving the housing stock also has a wider economic benefit. The current leck of housing makes the labour market inflexible. People in areas of relatively high unemployment, such as northern districts of Bobemia and Mora-

via, are often unwilling to move in search of lobs difficult to find. In Prague, where there is full employ ment - according to official statistics - there is an especially acute housing shortage. Meanwhile, in the northern industrial town of Most, whole blocks of flats lie empty because the mining and coking industries have closed and their former employees have dispersed,

Another boost to the develcoment of a housing market is expected when rent controls come to an end. This is one of the toughest decisions fecing the government, along with the liberalisation of energy prices. Economists say controls tend to distort the economy, with the current policy of piecemeal liberalisation edding up to three points to the annual In central districts of

Prague it is not uncommon for residents to pey just Kc2,000 a month for rent. heating and other utilities combined, even though the heneficiaries of restitution. Ending such distortions is likely to be central to the government's overall housing policy at some stage in the future. For now, how-ever, the Czech Republic isstill a relatively cheap place to live, unless you are a foreign resident competing for space in the expensive and often beautifully restored historic town and city cen-

# Success based on astute takeovers

The sprawling headquarters of IPS Praha, the Czech Republic's fastest-growing construction company, is being gutted and Workmen scurry about

is wide corridors, situated in a giant glass-fronted building in suburban Prague's Cuba Square. offices, executives co-ordinate progress on a host of similar projects throughout the country. Currently, these projects

nclude: the renovation of a building on Wenceslas Square in Prague for Komercui Banka; reconstruction of overnment buildings in the historic Mala Strana (Little Quarter), including the palatial home of the country's new senate; and the upgrading of a stretch of the national rail network between the towns of Ceska Trebova

Rohemia. These three contracts are valued at Kc5.4bu, and will represent e substantial slice of IPS turnover ove the next few years. Turnover this year is forecast to top Kc9bn for the first time.

md Skalice in eastern

IPS was set up in 1953 to build the Prague metro system. By 1988 the company employed 20,000 and "was responsible for building nearly everything in Prague", says Miroslav Tvrdy, executive managing director. Today it is a different

mimal. It has 7,600 employees and its expected are up 33 per cent on last year. Profits are also rising, from Kc170m last vear to an expected Kc212m in 1996 and Kc288m in 1997, lts shares have been among the best performers on the Prague stock exchange this year, with the price up about 50 per cent over the past 12 months.

The company laid the

that gave it a leading position in the Prague honsing market, the country's biggest, and in infrastructure construction. With the government expected to spend at least Kc200bn on road and rail projects by 2007, IPS is likely to be one of the main beneficiaries of lucrative state contracts. With this in prospect.

IPS has become a favourite of foreign investors anxious to tap into the booming Czech construction industry and grateful to find a company alive to their interests. In part it won this reputation by going abroad to seek investors. "IPS management is

basis for its current

success with a series of

receptive to the investor community and was one of the first to publicly release a company business plan," noted Wood & Co, a brokerage firm, earlier this year. IPS tends to disprove the rule that Czech companies whose shareholder registers are dominated by local investment funds are financial death to foreign investors. Some 40 per cent of its shares are owned by funds run by Komercni Banka, Ceska Sporitelna and Zivnostenska Banka, whose representatives sit on its supervisory board. Foreign investors, including the Central European Growth Fund run by Credit Sulsse Investment Management, own about 35 per cent.

These three Czech banks are among those that welcome foreign portfolio investment into domestic companies. Admiring investors in IPS shares say it is a clear example of how local and foreign investors can co-exist happily together while belping companies restructure, expand, and benefit shareholders, management

Vincent Boland

MILE INVENTAGE NE

#### ■ Industrial financing • by Anthony Robinson

#### conundrum for companies returns on assets, combined ered a broad sample of 50 construction and chemical

Borrowing over longer periods than available is needed to raise productivity

companies are under-capitalised, unable to raise the medium and long-term capital they need from banks, struction sectors. The sambut unwilling to raise equity capital because controlling sales growth of 15 per cent shareholders fear diluting and registered a 23 per cent their majority ownership. according to a study commissioned by the European Bank for Reconstruction and Development (EBRD).

The study, designed and commissioned by the EBRD but carried out by Patria Flnance, an independent Czech investment bank, cov-

medium-sized companies with annual sales above Kelhn and over Ke500m in equity capital. It deliberately companies, utilitles and those owned by foreign stra-Most Czecb industrial tegic investors. Most of the companies

neering, chemical and conple group achieved average average gain in net earnings Three-quarters of those

investments beyond their own internal financing capacity. Companies in the pulp and paper, ceramics and glass sectors planned to invest most, followed by the

Significantly, however,

companies in the engineering sector - traditionally the excluded financial sector heart of the Czech economy - planned only small fixed investments and intended to finance most of it internally, mainly from deprecletion were involved in the engi- provisions. Depreciation represents the main source of have declared dividends and internal financing for most why only 6 per cent trade companies, while retained earnings were sufficient to finance only 19 per cent of investment

This reflects the very low return on assets of the sursampled were planning veyed companies - only 2 per cent on sverage. Low returns largely reflact the wey that most companies are still hanging on to non-productive assets inherited from the socialist past. Low

with high interest charges on bank and other debt, is reflected in a low average return on equity of only 3.5 per cent. This overall low level of

profitability belps to explain

why only 6 per cent of all Czech companies listed on the Prague stock exchange ebove their nominal value. The hulk of listed companies trade at a deep discount to their nominal value. This means that 94 per cent of listed companies are unable to issue new shares without first reducing the registered capital value of their existing equity. This requires a complex accounting and legal process, the report

Uoder the circumstances. it is little wonder that Czecb companies are highly indebted. The sverage debt throughout the 50 companies sampled amounted to 43 per cent of total assets, with the highest levels of indebtedness in the engineering industry (58 per cent) followed by the construction sector (55).

The real debt burden is even higher than stated beceuse lex Czech accounting standards allow companies to avoid writing off irrecoverable receivables and other obsolete or unproductive assets, the

report adds.
To finance the investment needed to raise productivity

panies need to be able to borrow for a much longer period than presently available to them. Only 24 per cent required short-term finance, while 35 per cent needed medium-term and 41. per cent wanted long-term funds. The survey showed that companies expected the average payback period on investment to be 6.2 years.

Despite the need for long-term capital, the survey found that nearly half the companies believed that existing shareholders would be unable to provide additional equity capital. Sharethe companies questioned said an equity increase was unacceptable because it would lead to a dilution of their existing majority stake. Most controlling share-

bolders were passive investors, more interested in being able to sell controlling blocks of shares at e premium than in taking an active role in corporate management, the report found. This is reflected in a high

turnover of owners. No less than 54 per cent of the companies surveyed were acquired by e new majority shareholder in the first six months of this year. "The most significant change in Shareholder structure did not occur during government sponsored privatisations but during the first half of 1996 as a result of a 'third wave' of privatisation," the report concluded.

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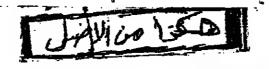


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■ Foreign relations • by Anthony Robinson

# Waiting to join Nato's ranks

The 'quick and easy' way to modernise the armed forces has been rejected

₹,

3 Strien

Pries

Strong border fortifications and a good army backed by a powerful arms industry were not enough to stop Hitler invading Czechoslovakia without a shot being fired in 1988. Memhership of the Warsaw Pact was no protection against a Moscow-inspired invasion to kill the "Prague Spring" and restore communist orthodoxy 30 years later.

Czechs and Slovaks learnt the hard way how diplomatic events and political circumstances beyond their control can determine the security of small states in

central Europe. The pro- the same alliance," he says. found desire to prevent a application for integration into an enlarged European Union and full membership of Nato.

The current Brussels timetable puts Nato expansion before EU enlargement, and the pecking order puts Czech entry before that of Slovakia, although both countries were joined in a federal union before their "velvet divorce" in January 1993.

Petr Necas, the impressive young chairman of the Czech parliament's defence committee, notes the likely delay to Slovak entry - due to the authoritarian ways of Prime Minister Vladimir Mečiar – with regret. "It is in our national interest to have all our neighbours in

repetition of such traumatic Czech government attaches industry and virtually stop events hes behind their great importance to being arms exports, a decision to help modernise and intecounted among the early joiners of an enlarged Nato and has given much thought to both the practical and the financial implications.

"The joining processes for Nato and the EU are different," Mr Necas says. "Clear political will on both sides is the main element in Nato entry, while EU membership demands precise fulfilment of many legal and technical conditions. The first demonstration of

new MiG-29 fighters and other modern equipment in return for the cancellation of the than Czechoslovakia's Soviet-era debt. Prague political will came with refused what Mr Necas calls wholesale dismissal of the the "cheep and easy" way to Warsaw Pact-trained seniar modernise the Czech Republic's 60,000-strong armed with a similar purge of the forces. Instead, it has opted internal security units. This to re-equip with western was originally accompanied equipment, albeit with the

by a decision to run down maximum possible offset But it is also clear that the Czechoslovakia's large arms agreements to ensure that future re-equipment is used which hit Slovakia particu- grate the Czech arms industry into the rapidly evolving larly hard as most of the world of the multinational heavy arms industry was sitarms industry.

uated in the eastern part of "Our top priorities are to upgrade our command and control and communications taken a different line systems," Mr Necas says. towards re-equipping their "We also need to buy three dimensional radar and new armed forces. Slovakia, surface to air missiles. But we do not think it is a good idea to purchase oew aircraft at present."

McDonnell-Donglas and Lockheed are among US arms contractors offering their wares, alongside Das-sault, of France, and Saab, of Sweden. But the Czechs are thinking only of leasing a few aircraft in the first instance. "New fighters are

only one of the pillars of our procurement strategy. First we have to train air and ground crews and build up our maintenance infrastructure. We will lease aircraft for training and will delay buying planes until early in the new century," Mr Necas explains.

The eventual choice will partly depend on the offset arrangements. One of the main aims will be to ensure a future role for Aero Vodochody, which produced trainers and light attack aircraft for Comecon and overseas markets such as Thailand and Egypt. Aero Vodochody is await-

ing an expected big government order for the new L-159 light attack and trainer aircraft which is expected to he the backbone of the Czech air force.

The 1997 budget earmarks Kc32bn for defence, around 2 per cent of GDP. But the government has pledged to

raise this gradually by 0.1 per cent of rising GDP a year for the next four years so that hy the start of the new century defeoce spending will he around 2.4 per cent of GDP, around the European

Re equipment is only one of the claims on resources. The legacy of the Warsaw Pact past has left a heavy concentration of forces along the German and Austrian borders and an over-abundance of middle-ranking staff officers. The aim is to form a more

professional and mobile Nato." force, distributed more ratiooally around the country. But relocation is expensive. and finding suitable recruits in a country with low unemployment and high salaries for competent, multi-lingual professional people makes recruitment a headache.

Uotil oow, the bulk of the armed forces has been made up of conscripts serving for in Norway and 11 in Finland.

12 months, But 27,000 of the 60.000-strong defence force are ex-professionals. A batalion of 1,000 men is currently serving in the Nato-cootrolled Ifor peace implementation force in Bosnia.

"We are still debating whether to maintain a largely conscript force or go professional," Mr Necas says. "The decision will be a political one and will have to take future Nato requirements into account. We need better mobility and will take on a commitment to defend out future allies once we join

The debate is likely to favour continued conscription and a largely citizen army. But staying with conscription will also require hig changes in the system. At present, the armed forces would only grow by a factor of three or four in case of mobilisation, compared with multiplication rates of eight

■ The Sudeten Question • by Anthony Robinson

# onfronting the past

Czechs have been less quick than Poles to discuss past grievances

The most difficult thing to forecast under communism is the past, according to the old joke in communist times. That was when former heroes became enemies of the people overnight, and people and events alike were simply written out of the history books or air-brushed out of the photographs as

the ideological line shifted. But as the Czech Republic and other former victims of Nazi and Soviet occupation prepare themselves for entry into Nato and the European Union, they are being forced to take a fresh look at painful episodes from the past and relations with their

What this country needs is a brutally honest debate about the past," argues Jiri Pehe, one of the country's most thoughtful political analysts. "People are still very provincial and intoler-

ant, our political culture is confrontational and personal, politicians are often driven hy intense personal hatreds, and there is an intolerance towards anything foreign, especially the gypsies," he adds.

Confronting the past means above all confronting the strong "victim mentalbetrayed by Britain, France and the western powers at mutual respect. Munich in 1988. They watched helplessly as Hitler used the ethnic German minority in the Sudetenland to facilitate his conquest and division of the first Czechoslovak Republic, and then suffered 45 years of Soviet control which became even more heavy-handed after the Poland's western borders. Warsaw Pact invasion of

Czechs lacked the liberty to deal with the past while the Germans have had over 50 years to try to come to terms with their complicity and involvement in the Nazi period. But the Poles, simultaneously invaded by both

engage in talks with both zens to buy land there. former enemies over past

The Russians finally admitted that the NKVD secret police, not the Nazis. had massacred thousands of Polish officers in Katyn forest. Willingness to confront this and similar issues helped raise the historically ity" of people who felt fraught Polish-Russian relationship to higher levels of

The first Solidarity government, led by Tadeusz Mazowiecki, also placed a high priority on resolving similar questions with Germany, prior to signing a Polish-German treaty with Chancellor Helmut Kohl. The treaty guarantees

which enclose large parts of the pre-war German provinces of Pomerania and Prossia from which millions were expelled or fled as the Red Army advanced. Plain-speaking helped to salve many wounds and paved the way for a sharp increase in German investment and tour-

The Czech Republic has been far slower to face up to

the former federal state.

Since then, the Czech and

Slovak governments have

along with Hungary, decided

to accept Moscow'a offer of

similar traumatic questions. This is largely because Czechs continue to see themselves as victims with nothing to apologise for, Mr Pehe argues. "What needs to he faced is

the fact that many Czechs collaborated with the Nazis and the communists," he says. "The Czechoslovak Communist party, after all, had 1.7m members in 1989. But the main problem is that many Czechs simply do not see the forcible expulsion of over 3m Sudeten Germans from their homes and farms in 1945 as a moral issue which has to be faced."

The Czech Republic, divorced from Slovakia in 1993, is bounded on two sides hy Germany and Germanspeaking Austria. Further north and east, the Polish border runs through parts of Silesia, which were also German-speaking before the war. In 1945, three years before the communist take-Germans and Russians in ism, although Poles still over in February 1948, the 1939, have been quicker to refuse to allow German citi- inhabitants of the villages



The ancient Market Square at Cheb, popular with visitors to the

flags to greet Hitler's invasion in 1938, were forcibly expelled in the dead of winter and sent back to Germany in freight trains, trucks and on foot.

Most of the 3m refugees Bayaria and tie the hands of

which had hung ont Nazi settled in Bavaria, where they kept up their old traditions and organised themselves into a powerful political lobby. Their votes help to keep the Christian Social Union in power in

Chancellor Kohl in Bonn. Many seek compensation for and an apology for their treatment at the bands of the Czech army and police half a century ago.

hard to extract. Mr Pebe is democratic Czechoslovak among those who argue that state io return for an this is partly because those who were ridiculed as for the human rights ahuses moralists and hopeless dreamers wheo the Civic Germaos io the hitter Forum alliance which managed the "Velvet Revolution" split up in 1991 lost their power to influence events. The pragmatists took over

and imposed their values on society and on the economy. "They achleved macro-economic stability hut paid little heed to corruption or enterprise reform, so the economy is also now a bit rotten inside," he adds. "The danger is that we could drift tourists travel in the into the 21st century without any bonest introspection and with democratic institutions without real content."

Whether this gloomy prognostication comes to whether the government summons up the political will to push ahead and reach wording of a long delayed Europe.

Czech-German declaration. The declaration, which Chancellor Kohl has said he would like to be able to sign hefore Christmas, would express German contrition for the invasioo, occupation That apology is proving and demolitioo of the apology from the Czech side suffered by the Sudeten aftermath of war.

The formal normalisation of relations between the Czech Republic and its powerful western neighbour would help to ease entry into the EU and Nato and underpin rapidly-expanding personal and ecocomic ties between the two countries.

More than 100,000 Czech workers cross the border to work in Germany each day. and floods of German opposite direction. Millions drive through Sudetenland and Wander around the many beautiful towns and cities of a country which was once the pass could well hinge on industrial heartland of the Hapsburg empire and has always had close cultural and economic links to the agreement with Bonn on the German-speaking part of

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#### PRAGUE INVESTMENTS - Mr. Steven Miller, CEO

Steven Miller has worked for international designand build and architectural firms in countries all over the world including, as he says, "sheikdoms and kingdoms." With Prague Investments, Miller has successfully completed four real estate developments. He has two under construction and has nine more on the drawing boards. All are located in the Czech capital city of Prague and its vicinity.

Mr. Miller, you are the developer for texamis such as Kempinski Hotels, Shell Oil CR. Black & Vesich and Planet Hollywood. Can you suggest for them what has attracted them to the Prague market? These international names are attracted by the potential, both

A . These international names are attracted by the potential, both domestic and tourist driven, for this market. With Planet Hollywood, the fact that only Paris and London have more tourists

Hollywood, the fact that only Paris and London have more tourists than Prague in the whole of Europe, inspired them to advance by five years their original plan to open here. We had to go and "self" them the idea but once they came, Prague sold itself. "With Kempinski, it was simply the case that the new management board, seeing the lack of really good international hotels in a city of more than 1.4 million, recognised the strategic importance of Prague as the centre of Eastern Europe. Kempinski Hotels have over 65 per cent of their European hotels as "Leading Hotels of the World." They wanted the best site and since we have the only hotel facing the Old Town Square, we have it.

the Old Town Square, we have it.

"For Shell and Black & Veatch, we assume it is simply a case of seeing the mntapped potential in the country. There is still much to do here, new roads and motorways to be built and power stations and commercial sites to develop."

What is the level of bureaucratic difficulty now after seven years of a free-market economy campured to what it was like when you first came to Prague?

which you first came to Prague?

A. "There was, at the beginning, an impenetrable bureaucracy here and our earlier projects took a great deal of time and perseverance. Things are still hard but at least people at the top now recognize that things must change if the city is to advance. Our track record of completing sensitive projects in sensitive areas and honouring our promises not to destroy important historical buildings has resulted in a more positive relationship. The fact that we have Czech partners and employees helps us speed up a lot of processes other companies new to the market still find difficult. Things are changing all the time for the better."

炭

Would you say that the city of Prague is supportive of the projects you and your tenants are bringing to Prague?

A "At the top levels, yes. There is still resistance at the administrative levels, which gets things held up. We try to do the normal things one does in real estate development throughout Europe. The difference is that many Czechs do things "their way" so we have to work within the system. It's a love-hate relationship. Midlevel city administrators are unable to grasp what we do, and to understand the balance between new design, the physical use of a site and buildings, economic viability, and a sense of historical contentuality.

"Certainly the mayor of Prague, Mr. [Ian] Koukal, is on record welcoming Planet Hollywood and international hotels to Prague, so I guess we're doing something right."

O Do you find it's hard to convince investors of the viability of a Prague development project or does the city's reputation for growth sell them on it?

"It is extremely hard right now... largely because the A "It is extremely hard right now... largely because the investment market is still very immature and secondly because investors seem to be attracted by the markets that are larger, such as Poland and developed first, such as Hungary. Those are high-risk countries, with hyper inflation and unstable currencies, so the yields are high. They think the yields here should be the same but the Czech Republic is not like its neighbours. Potential investors believe this is a risk country and they want the same returns you get in Russia, but the risks are far from comparable. The Czech Korusa has been appreciating against the Deutschemark recently, keeping he country well on course for meeting the single currency criteria.

Once the Czech Republic has entered the European Union, which should be soon, and the German Open and Closed funds are allowed to invest here, the market here will take off.

"The leasing side of Prague Investments' business has worked out very well for us. But on the financing side there's still a problem."

O Talk about the advantages afforded investors for Prague based real estate development projects compared to those in other Eastern European cities? A The main advantage, perof the problems I mentioned cartier, namely, the difficulty of

getting planning procedures ap-proved. This means there's no overbuilding and reads are steadily increasing. In other European cities, and especially in Poland of over 5 per cent, Prague offers real prospects for profits, not inflationary ones, and the currency is stable and fully convertible."

O. Then you would suggest the potential for return on invest-ment is higher for Frague projects than those based in Western European capital cities?

A "Obviously yields are higher here than in any Western European
A capital. Prime office yields are around 9 per cent, compared to
6.5 per cent in Loudon and 5.5 per cent in Frankfurt. In the case of
Budapest or Warsaw, yields are higher than in Prague, but there the
rental growth, in our opinion, has already peaked. Here it is still
a question of demand outstripping supply. Our Pavikor shopping
centre is providing us with an 11 per cent yield and is all leased.
Our residential schemes are providing us with yields of over 18 per
cent."

Q. Of the projects you are currently involved in, has financing, been received primarily from domestic or foreign sources?

A "Unformmately, most of our financing is still through foreign sources. Hopefully, the Czech pension funds and banks will catch on soon that real estate is the perfect hedge against inflation and if it is well structured, a safe and secure investment.
"Fortunately the Austrian, Dutch and some German banks are filling the gaps. Personally I am disappointed that more British and American banks have not recognized the potential here, but I am sure it is only a matter of time."

Q:What types of real estate development projects offer the greatest potential for return, given the current climate?

greatest potential for return, given the current climate?

A "in the short term, residential offers the best returns but that A. will probably change in the years to come. For long-term growth, the best market is retail. Retail sales grew over 20 per cent last year in Prague and will do over 25 per cent this year and the international retailers are coming into Prague in increasing numbers. The Czechs will soon amain an affirence similar to the rest of Burope. Living costs here are very low, so disposable income is often higher today than in many Western European commiss.

"Our Pavilon shopping centre is just a local shopping mall of 60 shops and a supermarket which many people here said was too smart for the Czechs. Yet around 6,000 people 2 day go through our doors, and 95 per cent of them are Czechs and for every shop we have a waiting list of tenants wanting to move in. So we think the future is in retailing and, out of town office parks."

What projects does Prague Investments have on the drawing board now that might be of interest to investors?

"Without doubt, the Kampus Park project at Chodov on the A "Without doubt, the Kampus Park project at Chodov on the name Vienna/Brno highway is the most important project. It's not just on our drawing board, it's in the Master Plan for the city. It not just on our drawing board, it's in the Master Plan for the city. It represents up to 10 normal "stand-alone" developments in Prague it is highly visible to one of the busiest roads in Europe and will provide jobs for thousands of local people. Already, because it is so well served by public as well as private transport and because we can tailor buildings to tenants' demands, it is attracting serious pre-lets. We'll be providing corporate offices, a smart park for lexible uses, and retail and leisure curiets all on one site. It is a small, self-contained city within a city.

"Of course, for sheer romanticism

"Of course, for sheer roman and excitement, our Kempinski Hotel and the retail shops around it are the jewels in the crown. To be part of a project that embraces everything that represents the best of Prague, encapsulating over 700 years of its history in one of the best sites in Karlova 21, 116 86 Prague L. CZ. Europe... is to me the most rewarding, tab (42.2) 24.23.71.18 not just financially, but creatively." for (42.2) 26.81.45



- Mr. Miller, an architect, was interviewed by Mark Nessmith, a Prague-based writer and editor who has lived in the Czech Republic for the past three years.

## The New OMNIPOL - the Powerful Return.

The Czech Republic is generally considered to be a successful example of transition of a post-communist economy into a free-market economy. Most economic indicators suggest that the course taken by the government, under the leadership of Prime Minister Vaclav Klaus is returning the Czech Republic to its former status as an advanced European country. However, indicators such as low unemployment, a unique method of privatization, e fixed currency rate, one-digit inflation and some other data could be interpreted as being ambivalent. Futhermore, unclear ownership structures, current difficulties faced by the banking sector, problems in the financial and ownership legislation as well as extreme polarization of the unexperienced, two-coloured political scene, have been exhorting foreign

investors to take a restrained stance. . . If we add an insufficient export policy of the Czech government and its consequence - a high deficiency of foreign trade, weak or no official support for the restructuralzation of economy, desintegration of industrial companies as well as .whole

branches of economy, the lack of domestic capital, short-sighted efforts of many managers to seek their own solutions independent of logical cooperation or verifiable links - combine to bring about a disharmonizing picture of the Czech economy, rather than a non-conflict portrait

as depicted for the world's public attention.

It would however be improvident to consider the Czech economy weak or unable to offer something valuable to the European and world community. The need exists to see more accurately, which parts of the Czech economy are compatible with the world's economy.

These would hardly include agriculture, food industry and electronics, but eurely include the automobile industry, glass-making and other fields which are based on the tradition and skills of the world famous "golden Czech hands", and although it might seem paradoxical - compatibility also applies to many branches of Czech heavy Industry.

Within the heavy industry sector we can see some very interesting tendencies. The concentration of capital and the creation of strong groups are characteristic of top branches of engineering industry. This, undoubtedly, can be said about the armament industry which had been representing the Czech, or - if you like - Czechoslovak industry for many decades. President Havel on the anniversary of the founding of an independent Czecho-Slovak state, surprisingly urged the need for having a national army orientated to the Western democratic mechanisms of defence, and e strengthened confidence in the Czech Army.

The appeal made by President Havel was far from being mere coincidence. It stressed the necessity and significance of the process which has been on the rise in the Czech top engineering industry, namely the tendency towards a considerable degree of concentration.

The newly emerged strong Czech industrial groups include such companies as the Chemapol Group which has been drawing from rich domestic traditions, while adapting to contemporary needs of (not only) the domestic markel.

Such e conceptually strong industrial, business and financial group reflect e substantiate effort of the Czech Republic to join the European and world structures, namely the E.U. and NATO.

In autumn 1996, the Chemapol Group took over e decisive, threefourths, share in the Prague - based Omnipol joint-stock company.

This name is quite familiar to all

those, who in the past decades, had something to do with the eerospace and arms Industries. Omnipol had practically been a monopolistic exporter of the sophisticated aerospace and arms products and the best among arms industries of the then Eastern bloc.

Today, the Omnipol joint-stock company ranks among the best Czech firms, as stated by all official as well as prestigious unofficial ratings. In mid-1996, that is prior to its becoming a member of the Chemapol Group, Omnipol e turnover amounted to 1,3 billion Czech Crowns even after an almost 30% decrease in its labour force. This means e slight rise in comparison with the previous period. An estimated income for the first half of 1996 amounted, after taxation, to some 30 million Czech Crowns, which is by one third higher than the expected result.

Since the company was acquired by its new owner, its management has been exerting every effort to sign contracts of exclusive representation with Czech producers of aircraft and air technology, with the most significant engineering companies and with arms and armamen! systems producers. with the intention of again representing the best of Czech engineering.

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VI

# Sales offer fresh start

A once-mighty industry comes to terms with the collapse of a customer base

Czechoslovakia was one of the steel centres of the steelsed former Soviet bloc. By the end of the 1980s it was turning out 15m tons a year from five huge plants. one ton for every man. woman and child in the country. Disposing of it was never a problem; the Soviet Union had an insatiable appetite, while the local armamenta industry also consumed great quantities.

Not surprisingly, the industry was among the hardest-hit when Comecon collapsed alongside communism. Russia coold not afford to pay market prices, and suddenly had more than enough steel of its own as industrial and arms output plummetted. At the same time, the Czechoslovak arms industry went into terminal

Today, the Czech Republic has three blg, functioning steel plants - Vitkovice, Nova Hut and Trinec, all in northern Moravia, turning out 6m to 7m tons annually. A fourth, Poldi, near Prague, folded earlier this year after a disastrous privatisation. The old federation's fifth plant - VSZ in Kosice, Slovakia - is perhaps the entire region's most modern and aggressive producer after an ing process under an innovative management team. This autumn, VSZ expanded its reach hy haying 20 per cent

of Trinec. Now Vitkovice and Nova Hut are about to he given a new lease of life. The government is preparing to sell 18 per cent of each to private financial investors in an innovative privatisation process that also involves giving management an option each company in five years if certain fairly stringent ing a doubling of their share

programme which began this year and will continue to the end of the decade.

The programme has several aims, says Jan Svozil. the project manager. Its centrepiece is the construction of a new mini-mill at the plant, in Ostrava. ICF Kaiser, a US engineering company, has been selected to install the mill, which will increase production of sheet metal to 1m tons from 700,000 tons currently. Sheet metal accounts for up to 45 per cent of total European steel demand, and Nova Hut wants to capture a greater share of that market to compete with VSZ, its chief regional rival, and aupply the fast-growing automobile and consumer durable markets.

The programme also involves another big reduction in emissions of pollutants. Any visitor to Ostrava can testify to the foulness of both Nova Hut and Vitkovice insist it is cleaner than in Prague. Both companies say much progress has been made in cutting emissions of dust and gases to levels prescrihed hy the European

About \$250m of the investment programme at Nova Hut will come from the International Finance Corporation, another \$100m from Czecb banks, and the rest from internal company revenues, which amounted to Kc24.3bn in 1995. Vikas Thapar, director of the IFC's Czech office - which, ironically, is being scaled down following his appointment as the institution's Paris-based head of European operations says the funding was proffered hecause of the IFC's belief that Nova Hnt can hecome "a competitive long-term steel producer in

this part of the world". The IFC loan package is expected to be in place hy the eod of January, Because its charter forbids it from to buy up to 15 per cent of investing in projects where private investors do not have a majority stake, IFC involvement bas forced moves to reduce state ownerprice. In addition, Nova Hut ship at Nova Hut. The Czech is close to securing \$400m in National Property Fund, the

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The country's steekneking goes back four centuries

both that plant and Vitkovice. When these stakes are sold - the deadline is the end of June 1997 - state ownership of both will be reduced to 49 per cent.

To attract investor interest, the NPF has, unusually, shown some imagination. It is in the process of selling a 1 per cent stake in each company to management and giving them options over another 15 per cent, exercisable in five years' time at today's share price. This is a powerful incentive to execu tives to make their restructuring projects a success.

Their success is important for the overall health of the Czecb economy, ohservers say. The country has a steelmaking tradition going back to the 16th century, when ore was discovered in the hills around Ostrava. In 1828, Rudolf Jan, Archbishop of Olomouc in central Moravia, huilt a smelter in wbat was then the village of Vitkovice. Archbishop Jan was a member of the Hapsburg family and owned ore mines in Sweden and coal mines in the Ostrava region. The plant was bought in 1843 by a branch of the Rothschild family, and it remained in their hands until it was

seized by the Nazis in 1939. Today, the village of Vitkovice has effectively become the town of Ostrava. home to 300,000 souls. In a perfect example of tha communist-era concept of tha "company town", the steel plant is situated right in the middle of the city. Its miles outside financing that, added to an additional \$250m of currently choosing a lead internal resources, will pay manager for international around Ostrava like the tenfor a massive restructuring offerings of 18 per cent of tacles of an octopus, locking future.

an embrace of mutual dependency. Nova Hut (literally, New Ironworks) was conceived in 1937 and building started under the Nazis. It was not finished until the early 1950s, when it became an integral part of the east-

ern bloc's steel industry Just 5km apart, neither competes with the other in product range, but there is a sense of rivalry nonetheless. It was inevitable however, given their proximity, they would eventually be forced to co-operate. Vitkovice's blast furnaces, which are virtually on Ostrava's high street, are to be shut down so those operations will be

concentrated on Nova Hut. The notion of merging the two and further rationalising operations remains in the air. Jaroslav Dusilek, Vitkovice's finance director, says the idea was considered and discarded in 1990 and 1995. "The government felt a merger would be premature. It decided to let new owners decide that question eventually," he says. "A merger would seem to be a very logical move. It seems strange to have two separate compa nies just 5km from each

other. It is an issue that may eventually arise when both companies are more fully privatised. If executives at both companies succeed in implementing their restructuring proposals and get that share price to double, the state holding in each will be cut to 34 per cent by the end

INTERVIEW Zdenek Bakala

# 'There are too many markets'

Zdenek Bakala, founder and chairman of the investment bank Patria Finance, laments the weaknesses of coupon privatisation and argues the case for a centime equity culture. As co-head of CS First Boston in Prague from 1990 to 1994, he was in at the start of economic reforms and the birth of capital markets. Here he gives his views on progress so far, in an interview with Vincent Boland and Anthony Robinson

Q: What are the problems facing investors in the Czech capital markets? A: For a start, there are too many markets. Trading takes place on the Prague stock exchange, the over-the counter market, the RM-System [a regional exchange for small investors], and the grey

market. There is not a single place where aggregate supply and demand are concentrated and where a price is determined that could be viewed as an objective market price.

But I would draw a distinction between the debt and equity markets. We have a small, growing and active debt market run by professionals. The problem is on the equity side. Voucher privatisation was an absolutely correct idea, hut it was not executed in an optimal way – and actually prevented the creation of a proper equity

What are the consequences

of that? Companies are controlled by banks and therefore do not have access to deht under competitive conditions. At the same time, they are being prevented, explicitly or implicitly, from going to the market to raise fresh equity. which they desperately need. These two factors slow down economic

What is the cost in terms of company profitability,

market performance and the pace of industrial restructuring Every single business in this country needs a very severe and costly restructuring. But they don't have the capital or the motivation to do it. There are exceptions which have been extremely successful, however.

Skoda Auto [now part of Germany's Volkswagen] is a clear example of a company not subject to voucher privatisation and to this vague equity market. Here, tha results are very different. Today, the company is . thriving.

Your argument is that standard privatisation is proving to be more successful than youcher privatisation? My argument is that standard privatisation, when compared to voucher privatisation which has not been efficiently executed, is more successful.

How can companies privatised through vouchers catch up?

In the near future there may be, by law, a loosening of the relationship between the financial and industrial sectors. So I don't necessarily think it is too late. Despite all the flaws there still is a rational and attractive business opportunity here.

The real difference is a time horizon difference. In this market, if you are a short-termer - a speculator you can get rich very quickly. But in the process of getting rich you will have to perpetuate and

cement the flaws of the

system. That is the

danger. Perhaps it was right at the beginning to set up a loose system. This allowed assets to float around and find somebody who wanted to own or control them; it allowed for all the pent-up desires for money or power or whatever to be flushed through the system. But



today it's time to step back and start thinking about the long term.

What does that require? Above all, it requires political will. Then it will be relatively easy and quick for legislative changes to be enacted, for institutions to be reformed to fit in with the world. An oversight commission must be created thet is responsible to parliament and not to the executive arm of the government.

It must have the authority and the funding to enforce the law. The revolution is over. We just have to start doing things the way the rest of the world is doing them. The debate around privatisation of the banking sector will force this issue and will show the advantages of western-style privatisation.

How widespread do you think frand is in the wider financial market, and to what extent is this responsible for the problems in the banking

The question is, what is fraud? I don't believe the majority of individual bank problems has been caused by criminal actions under Czech law. One could argue that certain things have been done here that would be illegal elsewhere. There are loose legal guidelines

that can be taken advantage of. But a body of law cannot be created overnight.

Is there a moral vacuum, or a lack of clear legislation? I think it is more a lack of historical experience. For example, the concept of fiduciary responsibility, of a higher standard of responsibility than in normal commercial contracts, doesn't exist. That is the problem, not somebody embezzling 25 billion crowns and disappearing. The problem is the little inefficiencies. the small degradation of the value of assets given to the public, to the beneficiaries of voucher privatisation. If somebody steals money. fine, let'e have the police look for him and let's see if we can find a law under which he can be prosecuted. in most cases we will not be able to do so, but thet is not the problem. The problem is the lack of standards which allows the system to function without giving full benefit to the owners of

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It seems the political tide has turned somewhat. How does it look to you? The electorate was curious (in June). In a way it (the. dominance of the Klaus government to Junel was boring. However, the Social Democrats failed to take advantage, and the senate election has shown the

Do you think the mandate gives to the senate, and by extension to the government, is somehow unconvincing because so few voted? I don't helieve so. A year from now nobody will remember the turnout.

Will the result give the prime minister the bounce he needs to get the government back on track? I think so. With a clear mandate in the senate the coalition will be strengthened.

CASE STUDY Consumer spending

# Shopping for a bright Christmas

shopping this Christmas, they may find that their favourite shops have moved. This year has seen an acceleration in the growth of that very American phenomenon, the shopping mall, right in the heart of central Europe. It is changing the way Czecha do their shopping, and it looks as if it is here to

So far this year three new ahopping centres have opened within spending distance of each other on Na Prikope, the central Prague street that is already the financial centre of the Czech Republic - it houses the central bank and the headquarters of four of the country's biggest banks - and is fast becoming the capital's entertainment and commercial

Marks and Spencer, the UK high street retailer, opened its doors there in October, the key tenant in the new French-built Mysibek shopping and office complex that has dismayed architectural purists but provided some much-needed serviced office and retail space in the crowded centre of Prague's busy Old Town. At the corner of Na Prikope and Wenceslas Square, the Koruna Palace, a magnificent pile dating from the 1910s. has also been converted into shopping and office areas. This building is now home to the nation's first Dunkin Donuts as well as its first megastore - two

floors of CDs, videos, hi-fi and bars developed by Bonton, an expanding entertain-

ment company headed by Martin Kratochvil, aome times duhbed the Richard Branson of the Czech Repub-

Further up on Wenceslas Square lies the Darex building, a new office and shopping complex hidden behind the art deco facade of the original building that was demolished to make way for

Out-of-town malls are also cropping up. Ikea, the Swedish supplier of home furnish-ings, is developing a huge mall on the city's outskirts, while another is taking shape in a suburh on the opposite eide.

Some retailers say that what attracts them to the Czech Republic is relatively high lavels of disposable

When Mr and Mrs Novak go income. While local shopto the central bank, even ping habits still tend though gross pay, at just towards the somewhat under Kc10,000 a month, is still relatively modest. Nevdowdy and customer service is poor, there is growing eviertheless, the average dence that consumers are Prague-based worker earns up to Kc2,000 more than his increasingly prepared to spend money rather than or her counterpart outside save It. One reason why the the capital, while incomes in Czech trade deficit is high is the fast-growing financial because an ever-increasing services sector, heavily orinumber of people are buying ented towards Prague, are imported luxury consumer generally higher than in goods such as cars, hi-fi other areas of industry. equipment, jewellery and clothing, economists say. The average industrial

That has not stopped braver pioneers, who are helping to change the face of wage grew by nearly 10 per Czech shopping. One consecent in real terms in the first quence of the new fad for half of this year, according shopping centres is that it

represents a shift away from the traditional concept of the the main streets. These hidden spaces, some spectacurun-down, are where most shops are still to be found. While the Myslbek devel-

opment retains many of the aspects of a pasaz the Koruna Palace is a definite change - a shopping centre on four floors. When Mr and Mrs Novak go shopping this Christmas, they are very likely to he spotted riding the escalators.

Vincent Boland

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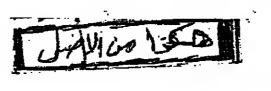
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